

FURTHER PAPERS RELATIVE TO THE LOAN OF £3,000,000 STERLING.

LETTERS FROM THE CROWN AGENTS TO THE NEW ZEALAND GOVERNMENT.

No. 1.

Copy of a Letter from Mr. P. G. JULYAN to the Hon. F. A. WELD.
(No. 34-912.)

Offices of the Crown Agents for the Colonies,
Spring Gardens, London, S. W.,

26th May, 1865.

SIR,—

Referring to my letter of the 26th ultimo, of which a duplicate will reach you by the present mail, I have the honor to inform you, for the information of your Government, that the prospects of the market, with regard to the negotiation of any portion of your 6 per cent. Debentures, within the limits prescribed, has not improved during the month which has intervened.

The Bank of New Zealand have disposed of the balance of the first instalment of the 8 per cent. Loan at £100 13s. 4d.; but, as that price included £1478 15s. 8d. of accrued interest, the actual selling price must be reduced to £99 10s. 7d., at which rate the purchasers will receive £8 0s. 9d. per cent. for their money. It would appear, however, from the enclosed note received from the Managing Director of the Bank of New Zealand, that some of the Debentures, issued under the same Act in the Colony, which have found their way to this market, are now offering at prices which, after deducting accrued interest, is only equal to about £97 17s. 7d. At that rate they will pay the purchaser £8 3s. 6d. per cent. per annum; and so long as any portion of the one million of the 8 per cent. stock which the Act empowers you to create remains unsold, I need not say that there will not be the slightest prospect of our disposing of any of the 6 per cent. securities.

The difficulties under which the 6 per cents. are placed have been so fully explained in a former letter that it is unnecessary here to refer further to the subject than to state that those difficulties have since been rather increased than otherwise by the sale of the 8 per cents. at a lower price than the Crown Agents calculated upon.

Judging from the Financial Statement of the Hon. Mr. Fitzherbert, which formed one of the enclosures to your letter of the 2nd January last, there would appear to be a serious misconception on your side with respect to the loss sustained by the Colony on the £810,000 raised by the Crown Agents during the first year under "The Loan Act, 1863."

The actual state of the case stands thus:—

The sum of £810,000 was raised by the issue of 5 per cent. Debentures representing £1,000,000.

The annual charge involved in this transaction was—

5 per cent. interest on one million	...	...	...	£50,000
1 per cent. on one million for Sinking Fund	...	...	...	10,000
				<u>£60,000</u>

£60,000 a year is equal to £7 8s. 1d. per cent. per annum on £810,000.

But supposing the Sinking Fund to be invested at compound interest at 5 per cent., then 11s. 6½d. per cent. per annum on £810,000, paid by half-yearly instalments, would produce £2341 half-yearly, the sum necessary to be added to the fund every six months, in addition to compound interest, to realize £1,000,000 at the end of fifty years.

Under such circumstances, the actual total annual charge to the Colony would have been—

5 per cent. interest on one million	...	...	...	£50,000
Sinking Fund	...	...	...	4,682
				<u>£54,682</u>

£54,682 per annum is equal to £6 15s. per cent. on £810,000.

One per cent. per annum on £1,000,000 invested in a Sinking Fund in like manner would extinguish the debt in about thirty-six years.

It would scarcely be fair towards the lenders generally to devote £10,000 a year out of the Sinking Fund to the gradual extinction of the debt, by the repurchase of debentures in the market below par, otherwise the whole might be paid off at a much earlier date, and the annual charge to the Colony would be still further lightened; but from the moment the Sinking Fund reaches a million, it may very fairly be so dealt with, or if not then practicable by reason of the possibly increased value of the securities, then the interest of the fund itself, would go a good way towards paying the half-yearly dividends.

As "The Loan Act, 1863," does not sanction any less payment than 1 per cent. per annum to the Sinking Fund, the annual charge on the £810,000 borrowed must continue at the rate of £7 8s. 1d. per cent. for the next thirty-six years; but bearing in mind that at the end of that time a sufficient sum would have accumulated to pay off the whole debt, a repetition of the transaction would, it appears to the Crown Agents, have been far more profitable to the Colony than the issue of the 8 per cents. at the prices realized.

To raise one million sterling at the rate paid for the £810,000 would necessitate the issue of £1,234,600 five per cent. Debentures, the annual interest on which would be £61,730. To raise the same amount on 8 per cent. Debentures, even supposing they were sold at par, would involve the annual payment of £80,000, being a difference against the 8 per cents. of £18,270 a year.

FURTHER PAPERS RELATIVE TO

But the worst feature of the case is, that the creation of the 8 per cents. redeemable at short dates (from one to three years), will in all probability necessitate the acceptance of much worse terms hereafter for the remainder of the Three Million Loan.

I enclose for your information copies of three notes which have passed between the Crown Agents for the Colonies and the Managing Director of the New Zealand Bank, relative to the sale of the last £130,000 of the 8 per cent. Debentures.

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

I have, &c.,
P. G. JULYAN.

No. 2.

Copy of a Letter from Mr. J. MORRISON to the Hon. F. A. WELD.

(No. 245.)

Office of the New Zealand Government Agency,
3, Adelaide Place, King William Street,
London, E.C., 24th June, 1865.

SIR,—

The money market has been favorably influenced during the past month by the Directors of the Bank of England on two occasions having reduced the minimum rate of discount, viz., on 1st June, from 4 to 3½ per cent., and on the 15th June, from 3½ to 3 per cent., at which rate it continues.

The reduction of the Bank rate has been followed by the introduction of an increased number of new companies and financial schemes, the price of money being now lower than it has been since May, 1863.

Notwithstanding this favorable alteration in the state of the money market, it has imparted I regret to observe no improvement to the sale of New Zealand Debentures.

This has been unfortunately experienced in the non-success which attended the disposal of the balance of the Debentures of the Government of Otago.

During the past month these securities were offered to the public by the Bank of New Zealand at the price of £90 for each debenture of £100, with interest from 1st January last.

Although freely advertised (copy herewith enclosed) previous to the 13th instant, on which day the tenders were opened, only £17,200 out of the £300,000, was taken at and above the minimum price. Particulars of the amounts and prices of the tenders are likewise enclosed.

The Bank has again advertised for sale the unallotted Debentures, but without obtaining a more satisfactory result.

The extreme apathy the public continue to evince towards investing in New Zealand securities is to be regretted, yet the manner in which the Provincial Loans are forced on the market when it is impracticable to float them, unless at a most ruinous discount, partially accounts for this revolution in public estimation.

It is therefore to be hoped the General Assembly may have adopted measures by which all will be withdrawn from the London market, for each effort to realise only unnecessarily depreciates their value and inflicts damage to the Colony.

I have, &c.,
JOHN MORRISON.

1,000	...	...	...	...	...	91 1-4
300	...	...	...	...	...	91 1-4
1,500	...	...	...	...	...	101
500	...	...	...	...	...	101
2,100	...	...	...	...	...	90
1,000	...	...	...	...	...	92
1,000	...	...	...	...	...	90 2-6
2,000	...	...	...	...	...	90 5
200	...	...	...	...	...	90
1,000	...	...	...	...	...	90
1,000	...	...	...	...	...	90
500	...	...	...	...	...	94
2,000	...	...	...	...	...	90
1,100	...	...	...	...	...	90
2,000	...	...	...	...	...	90

17,200

Since writing the above the balance of the Otago 6 per cent. Debentures has been placed at £80 per cent, which with accrued interest, is equivalent to £77 per cent.

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

No. 3.

Copy of a Letter from Mr. W. C. SARGEANT to the Hon. F. A. WELD.

Offices of the Crown Agents for the Colonies,
Spring Gardens, London, S.W.,
26th June, 1865.

SIR,—

Nothing has occurred since the 26th of last month to alter the prospects of the market as regards the negotiation of any further portion of the New Zealand 6 per cent. Debentures, as reported in Mr. Julyan's letter to you of that date.

We are anxiously looking for the arrival of the Australian and New Zealand mail, now overdue since the 12th instant, and trust to receive by it a remittance of £25,000, due on the 15th proximo, on account of the half-year's interest on New Zealand Debentures issued last year.

The Hon. Fred. A. Weld, Colonial Secretary,
Wellington, New Zealand.

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

No. 4.

Copy of a Letter from Mr. JOHN MORRISON to the Hon. the COLONIAL SECRETARY.

Office of the New Zealand Government Agency,
3, Adelaide Place, King William Street,
London, E.C., 25th September, 1865.

SIR,—

I do myself the honor to transmit to you herewith, the result of financial operations which have taken place during the past month.

1st. The Crown Agents for the Colonies offered to public competition Ceylon Government 6 per cent. Debentures for £100,000. The total amount applied for was £165,400, at prices varying from £95 to £106 7s. 6d. The minimum was fixed at £104, at and above which rate, Debentures for £10,300 were allotted.

2nd. The Crown Agents have again advertised the unallotted portion (about £60,000) of the British Columbia Government 6 per cent. Debentures. From the manner this loan is repeatedly brought before the public, undoubtedly indicates a difficulty in floating it.

3rd. Subscriptions for the Imperial Brazilian 5 per cent. Loan of 1865, for £5,000,000, have been invited by Messrs. Rothschild. The applications have reached, it is said, the enormous amount of £25,000,000. The loan is redeemable in thirty-seven years, by a Sinking Fund of 1 per cent. The issue price is fixed at £74 for every £100 stock.

It may be as well to state that a 4½ per cent. Brazilian Loan was raised about two years ago at 88, and the one prior to that, at 95 per cent. This material change in public opinion, is attributed to the State augmenting its debt by nearly one-third, and to its being at the present time involved in an expensive and uncertain war.

The issue price of this loan is a pregnant proof that even Foreign States, whose securities have hitherto stood well in the English market, cannot borrow on the same advantageous terms as heretofore.

4th. A new issue of Erie Railway 6 per cent. Bonds, amounting to £800,000, is being offered to the public by Messrs. J. S. Morgan and Co., at £75 per £100 Bond. The Bonds are redeemable at par in ten years, and yield to subscribers above 10 per cent. per annum. The Directors of the Bank of England maintain the minimum rate of discount at 4 per cent. The money market is easier; it became so, on the weather, towards the end of last month, becoming and continuing favorable for harvest operations. In connection with the Colony, no financial operations have been reported: the public continue to regard Colonial investments with disfavor, and notwithstanding the improved state of the money market, it would be difficult, if not impracticable, so far as I can ascertain, to float at par the 6 per cent. Debentures of the Government.

I have, &c.,
JOHN MORRISON.

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

No. 5.

Copy of a Letter from Mr. J. MORRISON to the Hon. the COLONIAL SECRETARY.

(No. 404.) Office of the New Zealand Government Agency,
3, Adelaide Place, King William Street,
London, E.C., 26th October, 1865.

SIR,—

Since the departure of the September mail, the movements in the London money market have been of unusual importance.

The Directors of the Bank of England, who on Thursday the 28th ultimo, had raised the rate of discount from 4 to 4½ per cent., on the following Monday notified a further advance to 5; on Thursday the 5th instant, the minimum was again raised to 6; and on Saturday the 7th, it was advanced to 7. Such rapid changes are almost without precedent. The pressure has arisen in a great part almost entirely from internal causes: A sudden expansion of trade in the manufacturing districts, chiefly on American account, has mainly caused this rapid and sudden advance in the value of money. For payment of the American orders now in course of execution, not only in this country but throughout Europe, credits are found to be established almost exclusively in London, and in order to check this drain the Directors of the Bank of England acted with the vigor described. The events of the past week encourage a hope that the monetary difficulty has been surmounted.

No transaction of Colonial interest has occurred during the past month, excepting that the Debentures of the Government of British Columbia continue to be offered by the Crown Agents for the Colonies. They were advertised to be sold at the reduced price of £95, which has been still further reduced to £92 for each £100 Debenture; at that price they are now being offered to the public by advertisement.

It is hazardous to advance an opinion relative to the prospects of the money market, but the impression, that for some time to come, money may be expected to command high rates, is prevalent among those who are interested in monetary affairs.

The Hon. Colonial Secretary,
Wellington, New Zealand.

I have, &c.,
JOHN MORRISON.

No. 6.

Copy of a Letter from Mr. P. G. JULYAN to the Hon. the COLONIAL SECRETARY.
(No. 37-445.)

Offices of the Crown Agents for the Colonies,
26th October, 1865.

SIR,—

Treas. to C. O.,
July 26, 1865.
C. O. to Treas.,
August 11, 1865.
Treas. to C. O.,
August 19, 1865.
C. O. to Treas.,
August 24, 1865.

In my letter of the 26th July last I forwarded, for the information of the New Zealand Government, copy of a correspondence which had taken place relative to the proposed delivery to the Imperial Government of the £500,000 Debentures referred to in your letter of the 11th March, and I now beg to transmit to you copies of the letters noted in the margin, from which it will be seen that the Lords Commissioners of Her Majesty's Treasury are willing to accept these Debentures as a collateral security for a portion of the debt due to Her Majesty's Government, and to draw the interest from time to time becoming due thereon.

The Debentures are now in the printer's hands, and will, as soon as the necessary formalities have been completed, be handed over to the Lords Commissioners of the Treasury.

The interest, which has been made payable by this Department on the 1st May and the 1st November of each year, commencing with the 1st of May, 1866, will amount to £10,000, and the Sinking Fund will call for £2,500 half-yearly; and the New Zealand Government will doubtless see the necessity of placing the Crown Agents in funds to meet these half-yearly payments with punctuality.

I am sorry to add that there is still little or no prospect of negotiating any portion of the 6 per cents. within the limits fixed by the Act. There is indeed no demand for New Zealand Securities, and very little for those of any other Colony.

The high price of money (7 per cent.) is calculated to retard the recovery of prices, and it is impossible to conjecture when such a revival may be expected as to justify the hope of your being able to raise any considerable sum in this market at 6 per cent.

The greater part of the first issue is still in the hands of the first purchasers vainly seeking a market, and could be purchased at this moment at a price to pay considerably more than 6 per cent.

You may rest assured, however, that the Crown Agents will lose no opportunity of disposing of the 6 per cents. whenever they see the slightest prospect of success. Any abortive attempt to do so would only depreciate the value of the stock still further, and, therefore, they have been unwilling up to the present time to hazard such a course, and they will refrain if possible from doing so until they receive a further communication from you respecting the suggested amendments in the Loan Acts of 1863 and 1864, referred to in your reply to their letter of the 26th April last.

The Hon. Colonial Secretary,
Wellington, New Zealand.

I have, &c.,
PENROSE G. JULYAN.

Enclosure 1 in No. 6.

Copy of a Letter from Mr. HAMILTON to Sir F. ROGERS.

SIR,—

Treasury Chambers, 26th July, 1865.

I am commanded by the Lords Commissioners of Her Majesty's Treasury to request you to inform Mr. Secretary Cardwell, that they have had under their consideration your letter of 27th May last, enclosing copy of a Despatch from the Governor of New Zealand, dated 10th March last, stating that the Crown Agents for the Colonies had been instructed to issue and hand over to the Imperial Government debentures for £500,000 at 4 per cent. interest, having fifty years to run, with a view to the adjustment of the debt due to the Government.

My Lords have also read the report of the Crown Agents to whom the question had been referred as to the present value of these securities.

Their Lordships are willing, under the circumstances, to accept these debentures as a collateral security for a portion of the debt to Her Majesty's Government, and to draw the interest from time to time becoming due thereon.

My Lords have also considered Mr. Elliot's letter of the 19th instant, enclosing a correspondence between the Governor of New Zealand and the Lieutenant-General commanding the Troops, respecting an application of the local Government for the issue from the Treasury Chest of cash advances for the payment of the Wanganui Militia.

Their Lordships have received from the War Office a communication to the same effect from the officer in charge of the Commissariat in New Zealand. It appears from the letters of that officer, that notwithstanding the instructions issued in October last, to prevent any further increase of the debt due by the Colony to the Imperial Government, the supplies to the Colonial troops have continued to be made uninterruptedly by his department, and that no arrangement had been made to relieve the Commissariat from the burden of this charge. My Lords regret to observe that no measures appear to have been yet adopted in the Colony for arresting the increase of its liabilities to the Imperial Government, but that the Governor has authorized additional advances, which will greatly augment them. They, desire, therefore, to call the serious attention of the Secretary of State to the inconveniences which must result from this accumulation of debt unsanctioned by Parliament, and to request that immediate and stringent orders may be sent to Sir George Grey to prevent the continuance of these unauthorized advances from Imperial funds.

Sir F. Rogers, Bart., &c.

I am, &c.,
GEO. A. HAMILTON.

Enclosure 2 in No. 6.

Copy of a Letter from Sir F. ROGERS to Mr. G. A. HAMILTON.

SIR,—

Downing Street, 11th August, 1865.

I am directed by Mr. Secretary Cardwell to transmit to you, for the information of the Lords Commissioners of the Treasury, a copy of the Despatch which he addressed to the Governor of New Zealand by the last mail, forwarding to him a copy of your letter of the 26th ultimo as to the disposal of the Debentures for £500,000, remitted to this country with a view to the adjustment of the debt due

to the Imperial Treasury, and also as to the advances which were being made from the Treasury Chest for Colonial military expenditure.

I am to add, that Mr. Cardwell assumes that the Lords Commissioners will give to the Crown Agents whatever instructions are required as to the disposal of the Debentures.

G. A. Hamilton, Esq., &c.

I am, &c.,

F. ROGERS.

Enclosure 3 in No. 6.

Copy of a Letter from Mr. HAMILTON to Sir F. ROGERS.

SIR,—

Treasury Chambers, 19th August, 1865.

I am commanded by the Lords Commissioners of Her Majesty's Treasury to acquaint you that they have had before them your letter of the 11th instant, in the last paragraph of which it is stated Mr. Secretary Cardwell assumes that this Board will give to the Crown Agents for the Colonies whatever instructions are required respecting the disposal of the Bonds of the New Zealand Government, amounting to £500,000, which the Crown Agents have been instructed to hand over to the Imperial Government in part adjustment of the debt of that Colony.

My Lords have already informed the Secretary of State that they have accepted these Debentures only as a collateral security for a portion of the debt due to Her Majesty's Government, and Mr. Cardwell will probably agree with their Lordships in opinion, that as the bonds will only be deposited as a security, the Crown Agents should be instructed to prepare them in such amounts and for such periods as would best suit the convenience of the Colonial Government in disposing of them when returned to them after payment of the debt to the Imperial Government.

Should Mr. Cardwell agree in this opinion, my Lords request that instructions may be given accordingly to the Crown Agents.

My Lords suggest that the bonds, when prepared, should be deposited with the Bank of England, in the names of the Crown Agents and of the Assistant Secretary of this Board, in which case my Lords will direct the Bank to place the interest from time to time to the credit of the Public Account.

I am, &c.,

Sir F. Rogers, Bart., &c.

GEO. A. HAMILTON.

Enclosure 4 in No. 6.

Copy of a Letter from Mr. ELLIOT to Mr. G. A. HAMILTON.

SIR,—

Downing Street, 24th August, 1865.

I am directed by Mr. Secretary Cardwell to acknowledge your letter of the 19th instant respecting the disposal of the bonds of the New Zealand Government, amounting to £500,000, on account of their debt to the Imperial Government. I am to request that you will inform the Lords Commissioners of the Treasury in reply, that Mr. Cardwell will instruct the Crown Agents to proceed, as regards the creation and deposit of the bonds, in the manner recommended by their Lordships.

Mr. Cardwell will communicate this arrangement to the Governor of New Zealand by the mail of the 26th instant; and in the meantime it appears to him desirable that any final appropriation of any of the money should be deferred until there has been time for the receipt of the Governor's reply to the Despatch.

I am, &c.,

G. A. Hamilton, Esq., &c.

T. F. ELLIOT.

No. 7.

Copy of a Letter from Mr. P. G. JULYAN to the Hon. the COLONIAL SECRETARY.

(No. 38-186.)

Offices of the Crown Agents for the Colonies,

Spring Gardens, London, S.W.,

SIR,—

26th December, 1865.

I have the honor to acknowledge the receipt of your letter of the 14th October last, advising the Crown Agents for the Colonies that Bank drafts to the extent of £54,500 had been remitted to meet the engagements of the Colony, which mature in England on the 31st instant, and requesting that certain steps might be taken by the Crown Agents to refund, under certain circumstances, to the Bank of New Zealand, any sum not exceeding that amount.

2. It does not appear from your letter to whom this remittance is made, nor the particular liabilities it is intended to meet.

3. The drafts have not been received by the Crown Agents, nor can the Bank of New Zealand inform them in whose possession they are; but as they have not been presented for acceptance, the probability is that they were not posted in time for the October mail, both portions of which—*via* Marseilles and Southampton—have been delivered in London.

4. Should no mishap befall the November packet, the next letters *via* Marseilles will probably be received here about the 12th proximo, so that the remittance must now inevitably be too late to meet liabilities falling due on the 31st instant. Such of them as mature at the Bank of New Zealand will for their own credit, as well as yours, doubtlessly be met, especially as the Bank are aware that the bills are *en route*, and that the longer they are making their appearance, the better it will be for their interests.

5. In the meantime, the Managing Director has lost no time in giving notice that the repayment of the £54,500 will be required in ninety days from the date of his letter, copy of which I enclose. Mr. F. Larkworthy, Dec. 18, 1865.

6. With regard to raising that amount by the hypothecation of some of the 6 per cent. Debentures, the Crown Agents fear that, until the Loan Act is amended, it will be impossible to do so in the present

state of the market, for the reasons pointed out in my letter to you of the 26th April last, notwithstanding the permission contained in the last paragraph but one of your letter now under acknowledgment. Even if all restrictions as to price were removed by a new Act, it would still be necessary to pay a very high rate of interest for temporary loans of this nature, and I think it probable that it might be found more advantageous to the Colony if you were to make up your mind at once to give a much higher price for money in this market than you were accustomed to pay prior to the issue of the 8 per cents. Sooner or later you will, I believe, have to adopt this course, and the price at which it must be carried out will increase with every renewal of these temporary expedients to meet your liabilities.

7. I would suggest, therefore, that you should communicate in confidence to the Crown Agents (having first remedied the defects in the Act), with as little delay as possible, the minimum price at which you would be satisfied to part with the 6 per cent Debentures, and the amount which your wants would dispose you to raise, within any given time, at that minimum, and leave it to them to offer the Debentures, either to public competition or at a fixed rate, whenever the state of the London market should afford reasonable prospects of raising the money.

8. I should add, with regard to the remittance of £51,500 referred to in the first part of this letter, that if a portion of it is intended for the payment of interest on the 5 per cent. Loan falling due on the 15th proximo, it is just possible that it may arrive in time to meet that liability, but if not the Crown Agents can only hope that the Bank of New Zealand will place them in funds for that purpose.

9. It must however, I think, be manifest to you that it is absolutely necessary that earlier provision should be made to meet these periodical payments, and that the public credit of the Colony should not be allowed to rest on the mere chance of the mail steamer making a safe and speedy passage.

The Hon. Colonial Secretary,
Wellington, New Zealand.

I have, &c.,
PENROSE G. JULYAN.

Enclosure in No. 7.

Copy of a Letter from Mr. F. LARKWORTHY to the CROWN AGENTS for the Colonies.

Bank of New Zealand,
London, 18th December, 1865.

DEAR SIRS,—

In accordance with an arrangement entered into with the General Government of New Zealand, under date 14th October, 1865, whereby it is provided that an advance of £50,500, made by this Bank to the General Government of New Zealand, should be repaid by the Crown Agents for the Colonies to this Bank in London, and that a notice of ninety days should be given by the Bank to the Agents of their desire for repayment,—I now beg to state that such repayment will be necessary in ninety days from this date, and you will be good enough to accept this notice as given in accordance with the arrangement above referred to.

The Crown Agents for the Colonies,
Spring Gardens, London.

I have, &c.,
F. LARKWORTHY,
Managing Director.

No. 8.

Copy of a Letter from Mr. W. C. SARGEANT to the Hon. E. W. STAFFORD.

Offices of the Crown Agents for the Colonies,
Spring Gardens, London, S.W.,

(No. 38-374.)

SIR,—

19th January, 1866.

Referring to Mr. Julyan's letter of the 26th October last, by which you will have learnt that the Lords Commissioners of the Treasury had expressed their readiness to accept New Zealand Government 4 per cent. Debentures to the extent of £500,000, as a collateral security for a portion of the debt due to Her Majesty's Government:

I transmit to you herewith, one Debenture of each value (£1000, £500, £200, and £100,) issued by the Crown Agents for the Colonies under that arrangements.

The interest on these 4 per cent. Debentures commences from the 1st November last.

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

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

No. 9.

Copy of a Letter from Mr. W. C. SARGEANT to the Hon. E. W. STAFFORD.

(No. 38-523.)

Offices of the Crown Agents for the Colony,
Spring Gardens, London, S.W.,

SIR,—

26th January, 1866.

In continuation of my letter of the 19th instant, I transmit to you a Statement of New Zealand Government 4 per cent. Debentures for £500,000, issued under the New Zealand Loan Act of 1863; a copy of a letter from the Assistant Secretary to the Treasury, authorizing the Crown Agents to hand over the Debentures to the Governor of the Bank of England, to be held in deposit on account of the Treasury Board, in certain names, as collateral security for the repayment of certain advances made by Her Majesty's Government to the Colony; and a receipt signed by the Deputy Cashier of the Bank of England, acknowledging the deposit.

In my previous letter I mentioned that the Crown Agents had arranged that the interest on this issue should commence on the 1st November last instead of the 1st May last, as reported to you in Mr. Julyan's letter of the 26th October, thus saving the New Zealand Government a half year's

interest and sinking fund on the half million, amounting together to £12,500. Your remittances on this amount, referred to in your letter No. 237, of 13th November last, will be, on the maturity of the bills, placed on deposit at interest to meet similar liabilities with respect to these 4 per cent. Debentures falling due on the 1st May next.

As the Crown Agents have not been called on to pay the usual brokerage on this issue, they have charged on it a reduced commission of $\frac{1}{4}$ per cent in place of the usual $\frac{1}{2}$ per cent., the amount agreed upon with Mr. Reader Wood for the whole loan.

I take this opportunity to inform you that the bills at ten days' sight, forwarded in your letter of 13th November, did not reach this department till the 13th instant; that consequently the amount they represented was not available for the payment of interest on the 5 per cent. Debentures, falling due on the 15th instant. To meet the portion of this liability which had been duly demanded, the Crown Agents temporarily availed themselves of the sum of £8600 at their disposal, viz., £5000 belonging to the Sinking Fund, which had, pending instructions with reference to its final disposal, been deposited at interest with one of the large Joint Stock Banks, and £3,600 remitted for telegraph materials; and were forced to obtain further funds by discounting £17,000 (a portion of the bill for £35,000) at a cost to the Colonial Government of £37 5s. 2d.

The profitable investment of the £15,000, the amount due to the Sinking Fund on account of the 5 per cents., will, on the maturity of the last remittance of £10,000 on account of that fund, occupy the early attention of the Crown Agents under the powers vested in them by the warrant issued by Sir George Grey, dated the 13th November, 1865.

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

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

Enclosure in No. 9.

Copy of a Letter from Mr. G. A. HAMILTON to the CROWN AGENTS for the Colonies.
(No. 1040 19-1.)

Treasury Chambers,
20th January, 1866.

GENTLEMEN,—

With reference to your letter of the 17th instant, relating to certain New Zealand Government 4 per cent. Debentures to the extent of £500,000, I am directed by the Lords Commissioners of Her Majesty's Treasury to acquaint you that my Lords have authorized the Governor and Deputy Governor of the Bank of England to receive these Debentures from you, and to hold them in deposit on account of this Board, in the names of G. A. Hamilton, Esquire, Assistant Secretary to the Treasury, and the Crown Agents, as collateral security for the repayment of certain advances made by Her Majesty's Government to that Colony.

The Crown Agents for the Colonies.

I am, &c.,
GEO. A. HAMILTON.

Sub-Enclosure 1 to Enclosure in No. 9.

RECEIVED this day from the Crown Agents for the Colonies, to be held on deposit on account of the Lords Commissioners of Her Majesty's Treasury, in the joint names of G. A. Hamilton, Esquire, Assistant Secretary to the Treasury, and the Crown Agents for the Colonies, the undermentioned New Zealand Government 4 per cent. Debentures for five hundred thousand pounds—

Nos. 1 to 200—200 of £1000 each	...	...	...	...	£200,000
Nos. 1001 to 1300—300 of £500 each	...	...	...	...	150,000
Nos. 2251 to 2625—375 of £200 each	...	...	...	...	75,000
Nos. 501 to 1250—750 of £100 each	...	...	...	...	75,000
Total	...	1,625			£500,000

For the Governor and Deputy Governor of the Bank of England, 23rd January, 1866.

F. MAX, Deputy Cashier.

Sub-Enclosure 2 to Enclosure in No. 9.

STATEMENT of Debentures for £500,000, issued under the authority of "The New Zealand Loan Act, 1863," for raising a Loan of £3,000,000 sterling, for the Public Service of the Colony of New Zealand, delivered by the Crown Agents for the Colonies, on behalf of the Government of New Zealand, to the Lords Commissioners of H.M.'s Treasury.

200 Bonds—Numbers 1 to 200 of £1000 each	...	...	...	...	£200,000
300 " " 1001 to 1300 of £500 each	...	...	...	...	150,000
375 " " 2251 to 2625 of £200 each	...	...	...	...	75,000
750 " " 531 to 1250 of £100 each	...	...	...	...	75,000
1,625					£500,000

The above Debentures are for fifty years from the 1st November, 1865, bearing interest from that date at the rate of £4 per cent. per annum, payable at the offices of the Crown Agents for the Colonies, on the 1st May and the 1st November in each year.

PENROSE G. JULYAN,
W. C. SARGEANT.

FURTHER PAPERS RELATIVE TO

No. 10.

Copy of a Letter from Mr. P. G. JULYAN to the Hon. E. W. STAFFORD.
(No. 38-528.)

Offices of the Crown Agents for the Colonies,
Spring Gardens, London, S.W.,

26th January, 1866.

SIR,—

I have to acknowledge the receipt of your letter of the 14th November last, enclosing Acts No. 54, 58, and 68 of 1865, and a warrant under the hand of His Excellency the Governor authorizing the Crown Agents for the Colonies to dispose of the 6 per cent. Debentures at any price not below 90 per cent.

2. The several points touched upon in your letter will receive the careful consideration of the Crown Agents whenever the proper moment arrives for dealing with the loan. At present the state of the market is most discouraging. The Bank rate is 8 per cent.; and for Colonial Securities generally there is scarcely any demand whatever, even at the present reduced prices. Until some improvement takes place there would be little chance of realizing the amount you require on 6 per cent. Debentures, or any considerable part of it.

3. The quotations of New Zealand Securities in the share lists are merely nominal, and *bona fide* transactions are of rare occurrence. The 8 per cents. were offering yesterday at 101. The 5 per cents. (nearly half a million of which are still in the hands of the original buyers, and a quarter of a million more in those of three other establishments all seeking a market) are quoted at 82, but could, doubtless, be purchased in anything like large parcels considerably below that price.

4. Notwithstanding the discouraging nature of these circumstances, it appears to the Crown Agents that it will be absolutely necessary to offer some of the 6 per cents. for public competition without much delay, in order if possible to be prepared to pay to the Bank of New Zealand the sum of £50,500 on the 18th March, £100,000 on the 31st March, and £75,220 on the 13th April, making together £223,720 due under the conditions named in your letters of the 14th October, and the 14th November last. The best chance of raising the money will be by appealing to the public, and upon the first favorable turn of the market the Crown Agents propose to advertise a half a million at the minimum you have fixed (90.) The chance of effecting a sale to any considerable extent at that price, which would yield an immediate £6 18s. 4d per cent. to the purchaser, is somewhat remote, considering the 8 per cents. can be purchased a little above par; still it is the only course by which we are likely to get any money within your limit.

5. The prospect of being able to raise the required amount temporarily by the hypothecation of any number of the Debentures is beset with the same difficulties that were pointed out in my letter of the 27th March last; and although now somewhat less in degree, will, I fear, be sufficient to frustrate any attempt that may be made in that direction.

6. Neither banks nor financial companies will advance money on such securities, unless they have power to sell—in default of punctual repayment—within limits far below the market price; and as the Crown Agents are not empowered by any instrument of your Government to enter into an arrangement that might result in the final sale of the Debentures below 90, I fear that their position is much the same as it stood when the limit was 100; or, in other words, the reduction of 10 per cent. is sufficient to “ensure” the money. Still, no pains shall be spared in endeavoring to effect a sale by extensively advertising, and by making known the improved prospects of the Colony, as set forth in your letter now under acknowledgment; at the same time I must not disguise from you the fact that in the present state of affairs it will take a long time so far to restore public confidence as to attract capital, in any considerable amounts, towards your securities, and thus enable you to borrow at anything like former rates.

7. With regard to offering at first to sell Debentures to a less extent than £500,000, the Crown Agents are of opinion that it will not be advisable to do so; they think, on the contrary, that the public had better know at once what amount is likely to be thrown on the market for some considerable time to come.

The Hon. E. W. Stafford, Colonial Secretary,
New Zealand.

I have, &c.,
P. G. JULYAN.

No. 11.

Copy of a Letter from Mr. J. MORRISON to the Hon. E. W. STAFFORD.
(No. 83.)

Office of the New Zealand Government Agency,
3, Adelaide Place, King William Street,
London, E.C., 26th January, 1866.

SIR,—

I have the honor to advise that the condition of the money market since the departure of the last mail has continued of a stringent character, although greater ease has recently manifested itself, and the Directors of the Bank of England, at their last meeting on the 22nd instant, reduced the rate of discount from 8 to 7 per cent.

It is to be hoped that this is the commencement of a more favorable monetary period, especially as the Banks of France, Holland, and Prussia have respectively followed in the same step, and the general opinion is, that the money market may be expected to exhibit still greater ease during the next few weeks.

Of Colonial securities there has been offered £250,000 six per cent. Debentures of the Government of Queensland at a minimum price of £97 15s. or about £97, ex interest, only £10,800 was tendered for at and over the minimum, but subsequently £150,000 was taken at the price, the remainder being withdrawn.

The Crown Agents for the Colonies disposed of £20,000 six per cent. Cape of Good Hope Debentures by tender, at prices ranging from 100 to 102, although the minimum was fixed at 99½, and the total amount applied for was £31,500.

Tenders are solicited by the Oriental Bank Corporation for £700,000 five per cent. Debentures of

the Government of New South Wales, of which the details are enclosed. Applications will be received up to the 5th March.

These instances exhibit the eagerness with which such securities are launched on the first favorable turn in the money market, and when the bulk of them shall have successfully floated, it is not unreasonable to expect that more favor will be exhibited towards those of New Zealand.

The prevailing impression that a considerable amount of the latter will soon be brought on the market, causes continued dullness, whilst Provincial Government securities are especially depressed, owing to disappointment in the anticipated consolidation and guarantee of those debts by the General Government not having been completed. The unduly depreciated value of these Provincial securities, now of large magnitude, acts most prejudicially on those of the General Government.

The Hon. Colonial Secretary,
Wellington, New Zealand.

I have &c.,
JOHN MORRISON.

No. 12.

Copy of a Letter from Mr. P. G. JULYAN to the Hon. E. W. STAFFORD.
(No. 38-904.)

Offices of the Crown Agents for the Colonies,
Spring Gardens, London, S.W.,

26th February, 1866.

SIR,—

My letter of the 26th ultimo, informed you of the state of the money market, and of the prospects then existing of negotiating a Loan for any considerable amount on your 6 per cent. Debentures, within the limits prescribed in the Governor's warrant transmitted by you on the 14th November last.

During the month which has elapsed, the market has become somewhat more favorable. The Bank rate has fallen from 8 to 7 per cent., and still exhibits a downward tendency. The result is, that Loans for considerable amounts are already being offered to the public from various quarters. The New South Wales Government are asking for £700,000: the East India Railway Company, for £1,000,000, and various others for smaller amounts.

At such a moment, the Crown Agents would willingly abstain from bringing your securities forward, but in presence of the liabilities which you have undertaken to discharge at the end of this month, they have determined to offer Debentures for £500,000 on the terms stated in an advertisement which will appear the day after to-morrow, of which a rough proof is enclosed.

After fully considering the matter, and consulting those most competent to give sound and disinterested advice, the Crown Agents have come to the conclusion that the best chance of success is to be looked for by at once advertising the minimum, and by receiving payments in instalments extending over a couple of months, in order to induce, if possible, some speculation among the members of the Stock Exchange, and thus create a market for these securities.

The Crown Agents would have preferred bringing forward some of the 8 per cents., but these securities continue to arrive by every mail from Australia and elsewhere, and are offering in this market in small quantities below par, and, as I am informed by the Managing Director of the Bank of New Zealand, in large sums, as low as 98, without finding anything like a ready sale. Under these circumstances, it is believed that the 6 per cents. at 90 will afford an equal, if not a better medium of raising the money; whilst the Crown Agents feel convinced that the sooner the 8 per cents. are redeemed, the better will it be for the interests of the Colony.

Should this effort to raise the money you require prove unsuccessful, the Crown Agents, will, on the receipt of the warrant referred to in your letter of the 15th December, endeavour either to re-issue temporarily, or to hypothecate, sufficient of the 8 per cent. Debentures to retire those falling due on the 31st of March. Whether they will succeed, even in this, will probably depend on the limit as to price specified in the warrant, which you state may be expected here by the next mail. As I have before pointed out: to raise money by hypothecation, without granting a power to sell (in default of punctual repayment) at the then current market price, if to be effected at all, is sure to involve the payment of a rate of interest far higher than would be demanded for ordinary transactions.

It will be most gratifying to the Crown Agents however, as I have no doubt it will be to you, if the results of their efforts to dispose of the 6 per cents., about to be advertised, should prove such as to render all further consideration with regard to hypothecation unnecessary.

I have, &c.,
PENROSE G. JULYAN.

The Hon. E. W. Stafford, Colonial Secretary,
Wellington, New Zealand.

No. 13.

Copy of a Letter from Mr. P. G. JULYAN to the Hon. E. W. STAFFORD.
(No. 39-228.)

Offices of the Crown Agents for the Colonies,
Spring Gardens, London, S.W.,

23rd March, 1866.

SIR,—

In compliance with the instructions contained in your letter of the 14th November, and in that of your predecessor of the 14th October last, the Crown Agents for the Colonies have paid to the Bank of New Zealand the two sums of £50,500 and £73,220 under the notices of which copies are enclosed.

The first-named amount was due on the 19th instant, but on that day the Crown Agents were not in a position to pay more than £30,000. The balance was paid this morning, together with the further sum of £73,220, which was not actually due until the 4th proximo.

They also paid into the same bank to-day £20,000, to be placed to the credit of the New Zealand Government, being, in round numbers, the balance not otherwise appropriated of the two first instalments received on account of the 6 per cent. Loan.

Mr. F. Lark-
worthy, Dec. 18,
1865.

Mr. F. Lark-
worthy, January
13, 1866.

FURTHER PAPERS RELATIVE TO

Mr. Richmond's letter, already referred to, named £54,500 as the probable amount to be paid; but as the Managing Director of the Bank only demanded £50,500, payment of the latter sum only was made.

The Hon. E. W. Stafford,
Colonial Secretary, &c., New Zealand.

I have, &c.,
P. G. JULYAN.

Enclosure 1 in No. 13.

Copy of a Letter from Mr. LARKWORTHY to the CROWN AGENTS.

DEAR SIRS,—

London, 18th December, 1865.

In accordance with an arrangement entered into with the General Government of New Zealand, under date 14th October, 1865, whereby it is provided that an advance of £50,500, made by this Bank to the General Government of New Zealand, should be repaid by the Crown Agents for the Colonies to this Bank in London, and that a notice of ninety days should be given by the Bank to the Agents of their desire for repayment,—I now beg to state that such repayment will be necessary in ninety days from this date, and you will be good enough to accept this notice as given in accordance with the arrangement above referred to.

I am, &c.,
F. LARKWORTHY,
Managing Director.

Enclosure 2 in No. 13.

Copy of a Letter from Mr. LARKWORTHY to the CROWN AGENTS.

DEAR SIRS,—

London, 13th January, 1866.

In accordance with an arrangement entered into with the General Government of New Zealand, under date 14th November, 1865, whereby it is provided that an advance of £73,220, made by this Bank to the General Government of New Zealand, should be repaid by the Crown Agents for the Colonies to this Bank in London, and that a notice of ninety days be given by the Bank of their desire for repayment,—I now beg to state that such repayment will be necessary in ninety days from this date, and you will be good enough to accept this notice as given in accordance with the arrangement above referred to.

I am, &c.,
F. LARKWORTHY,
Managing Director.

No. 14.

Copy of a Letter from Mr. J. MORRISON to the Hon. E. W. STAFFORD.

(No. 132.)

Office of the New Zealand Government Agency,
3, Adelaide Place, King William Street,

London, E. C., 24th March, 1866.

SIR,—

Since the departure of last mail the money market has exhibited more easiness, the Directors of the Bank of England having, on the 15th instant, reduced their minimum rate of discount from 7 to 6 per cent.

This tendency still prevails; but, owing to the collapse of the Joint Stock Discount Company, and the gross mismanagement it has exposed, the public have become distrustful, and securities of most kinds are depreciated.

The operation of most interest to the Colony is the issue of £500,000 of the 6 per cent. Government Loan.

As the Government will receive from the Crown Agents for the Colonies by this mail full information of the result, I content myself by remarking that of the numerous applicants for the portion of this loan originally allotted, the entire number consisted apparently of permanent investors; and the Stock Exchange was not in any way interested.

The result of the offer of £700,000 New South Wales Government 5 per cent. Debenture Bonds, by the Oriental Bank Corporation, was a complete failure, only £29,000 having been applied for. The fixed minimum price for Series Numbers 1, 2 and 3, were respectively 95, 92½ and 91, for each £100 five per cent. Debenture,—yielding, with accrued interest, about 6½ per cent. per annum.

As the New Zealand 6 per cent. Loan yields about £6 13s. 4d. per cent., this undoubtedly indicates a preference on the part of the public for a 6 per cent. rather than a 5 per cent. security.

A peculiar instance of the caprice of the public is exhibited by the issue of a Chilean Loan for £450,000 for one and two years at 6 per cent. interest, when applications were received for £3,523,000. It is stated that not less than 200 members of the Stock Exchange applied and received allotments. This is significant of the great influence of the Stock Exchange,—especially having regard to the fact of Chili being at war with Spain.

Up to the time of the offer of the New Zealand 6 per cents. by the Crown Agents at 90, the price of these securities was quoted in the official list of the Stock Exchange at 100 to 103. While it must be a matter of regret, this decline in price, yet it is somewhat compensated by the comparative success of the issue; and it may fairly be anticipated that the value will improve and enable the Government to obtain better terms for the remainder of the loan.

I have, &c.,
JOHN MORRISON.

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

No. 15.

Copy of a Letter from Mr. G. P. JULYAN to the Hon. E. W. STAFFORD.

(No. 39-255.)

Offices of the Crown Agents for the Colonies,

Spring Gardens, London, S.W., 24th March, 1866.

SIR,— In continuation of my letters of the 26th January and 26th February last, I have now the honor to inform you that, following out the course therein indicated, the Crown Agents for the Colonies have succeeded in placing half a million of your 6 per cent. Debentures on this market, on terms which (considering the depressed state of Colonial Securities for a long time past, and the very great difficulties which have been experienced in dealing with those of New Zealand more especially,) they believe cannot fail to be highly satisfactory to your Government, and will, it is hoped, tend materially to relieve you from your present financial difficulties.

2. The conditions on which subscriptions were invited, will be found in the enclosed advertisement.

3. The results go far to prove that while those conditions were such as to induce *bona fide* investors to subscribe to a very considerable extent to the Loan, they were not sufficiently tempting to induce speculation in the market, and may therefore be taken to have been a fair and full measure of the then value of the securities.

4. When the subscription lists were closed at 1 p.m., on the 13th, the number of tenders amounted to 234, and out of the whole, not a single speculative application appeared.

5. The amount then allotted was £281,700, and at a later hour on the same day, a further sum of £50,000 was taken on speculation. With this evidence of having created an actual demand for the stock, the Crown Agents thought it advisable to withdraw the balance temporarily from the market, and subsequently to offer it in exchange for 8 per cent Treasury Bills, on the terms stated in the enclosed advertisement.

6. This step led to the redemption of the £100,000 8 per cents., maturing on the 31st instant, at a price (after allowing for interest accrued thereon) equal to 98 for the Treasury Bills, or about 92 for the 6 per cents.; in addition to the saving of any charge that might have been made to the Government by the Bank for paying the principal and interest on the Treasury Bills had they been allowed to mature.

7. Of the remaining 6 per cents., a further sum of £6000 was exchanged in like manner, and on similar terms, for £5400 of the 8 per cents., payable on the 30th June, 1867, but with the additional saving of the difference of interest for the period of fifteen months, for which they had still to run. The balance has been disposed of for money at the rate of 92.

8. Irrespective of the deferred and contingent advantages attached to the exchanges, the average price realized on the half million 6 per cents., as shown by the enclosed statement is £90 12s. 6d. in money for every £100 secured; a result which I believe will be no less gratifying to you than it is to the Crown Agents.

9. In the absence of definite instructions on the subject, some hesitation was at first felt as to whether you could afford at present to devote any considerable part of the proceeds of the 6 per cents. to the extinction of liabilities maturing fifteen months hence; but bearing in mind the strong desire manifested in your letters to withdraw the Treasury Bills from circulation as soon as possible, and seeing what an excellent effect such a measure, or even an attempt to carry out such a measure, was calculated to produce on the market at the present moment, the Crown Agents thought it advisable, to a limited extent, to accept 8 per cents. falling due on the 30th June, 1867, being the shortest dated Bills offered: and they feel assured that, apart from any immediate gain, the impression created will tell strongly in favor of the negotiation of the next instalment you may require to place on the market.

10. The total proceeds of the £500,000 Debentures may be stated at £453,132, and this amount has been, or will be, appropriated as follows:—

	£
1. To the retirement of Treasury Bills due 31st March, 1866	102,000
2. To the retirement of Treasury Bills due 30th June, 1867	5,508
3. To Bank of New Zealand, as directed by Mr. Richmond's letter of 14th October, 1865	50,500
4. To ditto ditto ditto, as per your letter of 14th November, 1865	73,220
5. To cash placed to the credit of the New Zealand Government with Bank of New Zealand, per your letter of 14th November, 1865	20,000
6. To cash paid Mr. J. Morrison, per your letter of 12th January, 1866	1,000
Already paid	£252,228
7. To be advanced to Mr. Morrison, as per Crown Agent's Letter to you of this date	15,000
8. To meet bill advised by your letter of 12th January, due 18th May, 1866	40,000
Balance to be deposited as received by the Crown Agents to the credit of the Government with the New Zealand Bank, after deducting expenses attending negotiation of the Loan	145,904
Total	£453,132

11. The Treasury Bills withdrawn are now in the possession of the Crown Agents for the Colonies. They have been defaced, and will be forwarded to you by the next Mail Steamer *via* Southampton.

12. I believe that it is not too much to say that the complete success which has attended this operation is due to the manner in which the Loan was placed before the public. The publication of the minimum, the extensive publicity given with regard to the financial condition and prospects of the

Colony, as set forth in the enclosed paper, together with the favorable notices which the prominent journals were induced to give in their money articles on the day the advertisement appeared, all tended to restore public confidence and to create a market for the securities which did not previously exist.

13. Whenever you may require to place a further instalment of this Loan upon the market you will do well to furnish the Crown Agents with a concise, official, accurate, and comprehensive return, containing all the information likely to be required by investors, and made up to the latest possible date. Such a return can only be correctly framed in the Colony, and in treating with the public here it is essential for your interests that the Crown Agents should be placed in a position to answer all inquiries upon the highest official authority.

14. It would also appear advisable when treating of a further issue of the 6 per cents. that the Crown Agents should be put in possession of your views with regard to redeeming any further portion of the 8 per cents. prior to maturity.

15. As most of these securities are it is believed held by financial bodies, it is quite possible that the state of the market may at the time be such as to induce them to treat on favorable terms. In fact the Crown Agents have already been offered a considerable amount maturing in 1867 in exchange for 6 per cent. Debentures at 90, ex accrued interest, but for the reasons already given they did not feel themselves in a position to entertain such offers.

16. The New Zealand Government is by no means the only one whose securities are difficult of sale here at present. The Oriental Bank offered £700,000 New South Wales Debentures, at a rate that would pay 7 per cent., only four days before yours were deposited of, and utterly failed, as you will see by the enclosed paragraph cut from one of the daily papers.

17. The Union Bank of Australia also failed in an attempt to dispose of £250,000 Queensland Debentures in the preceding month.

I have, &c.,

PENROSE G. JULYAN.

P.S. 26th March.—When the foregoing letter was written the Crown Agents were under the impression that the final balance of £51,200 had been disposed of at 92. The negotiation now threatens to fall through, but if it does so, you may still reckon upon the speedy sale of that balance on terms no less favorable.

The Hon. E. W. Stafford, Colonial Secretary,
New Zealand.

No. 16.

Copy of a Letter from Mr. P. G. JULYAN to the Hon. E. W. STAFFORD.

(No. 39-269.)

Offices of the Crown Agents for the Colonies,
Spring Gardens, London, S.W.,
26th March, 1866.

SIR,—

I have the honor to acknowledge your letter No. 14, of the 12th January, 1866, enclosing a warrant under the hand of His Excellency the Governor, authorizing the Crown Agents, under certain circumstances, to create and issue Debentures bearing interest at the rate of 8 per cent. per annum.

Fortunately there will not be any occasion for the Crown Agents to exercise the powers vested in them by that warrant, as the 6 per cents. have been successfully dealt with, as reported to you in my letter of the 24th instant.

The sum of £1000, referred to in the concluding part of your letter, was paid to Mr. Morrison on the 22nd instant, and the Bills for £40,000 in favor of the New Zealand Bank, therein advised, will be met at maturity.

The Hon. E. W. Stafford, Colonial Secretary, &c.,
New Zealand.

I have, &c.,
P. G. JULYAN.

No. 17.

Copy of a Letter from the CROWN AGENTS to the Hon. E. W. STAFFORD.

(No. 39-603.)

Offices of the Crown Agents for the Colonies,
Spring Gardens, London, S.W., 26th April, 1866.

SIR,—

In a postscript to my letter of the 24th ultimo, I intimated to you the probability that a balance of £51,200 of your 6 per cents., would still be left in the hands of the Crown Agents for the Colonies by the person to whom they were supposed to have been sold having withdrawn his offer. This apprehension was fully verified, and the panic since produced in the Stock Exchange by a threatened war between the two leading German powers (see paragraph from the *Times* annexed), has in a great measure prevented any considerable dealings in them since.

Still the Crown Agents have managed to dispose of £15,000 at 92, thus reducing the unsold balance to £36,200, and as the latest news from Germany is of a more pacific character than it has been for some weeks past, they believe that they will shortly be able to place the balance on the market on equally favorable terms.

The instalment due on the 21st instant, on the general allotment, was duly paid, and after retaining £40,000 to meet your bill of the 12th January last, the sum of £30,000 was yesterday paid to your account with the Bank of New Zealand.

The Crown Agents offered to retire the bill above referred to, at once, if the Bank would allow the current rate of interest for the difference of time; but this was declined, and therefore the money has been placed on deposit, at interest, with the City Bank, where it will remain until the bill matures on the 18th May. The interest will be placed to the credit of your account with this department.

The Hon. E. W. Stafford,
Colonial Secretary, &c., New Zealand.

I have, &c.,
P. G. JULYAN.

No. 18.

Copy of a Letter from Mr. J. MORRISON to the Hon. E. W. STAFFORD.

Office of the New Zealand Government Agency, 3, Adelaide Place,
King William Street, London, E.C., 25th May, 1866.

SIR,—

Since my last communication the financial and banking communities have passed through a panic of such severity as has never before been experienced. The suspension of the firm of Messrs. Overend, Gurney, and Company, on Thursday, the 10th instant, created wide-spread consternation; and the difficulties of the Imperial Mercantile Credit Company, and the English Joint Stock Bank closely following, led to a run upon many of our Banks here.

The mistrust was allayed to a great extent by the suspension of the Bank Charter Act, on Saturday, the 12th instant, and although this feeling of easiness continued, we are now experiencing further embarrassments and a state of extreme anxiety.

It is easy to trace the causes which have gradually led to so alarming a crisis, and although the ordinary trade of the country is not unsound, much time must necessarily elapse before affairs return to their normal state.

For the information of the Government, I enclose the *Times* Money Article of Friday, the 11th May; the explanation of the Chancellor of the Exchequer in the House of Commons the same evening; the correspondence between the Government and the Bank of England Directors; and the Circular from the Foreign Office to the British Embassies; all referring to the financial crisis.

Among the suspensions was the New Zealand Banking Corporation, whose bills were returned on Friday last. At a meeting afterwards held, an adjournment was agreed to, that steps might be taken for winding up the concern.

I beg to direct the attention of the Government to a paragraph from a paper called the *Investor's Guardian*, referring to steps taken towards re-organizing the Company, under the title of the "Commercial Bank of New Zealand."

The only instances I can trace of the Colony of New Zealand having been affected by the crisis are—1st, the suspension above referred to; and 2nd, a sale of £300,000 five per cent. debentures of the £1,000,000 loan (issued by the Crown Agents in 1864), at the extraordinarily low price of £60. This sacrifice was impelled by the severe strain for money experienced by the holders; and the sale having been unfortunately made public, has been prejudicial to securities generally.

At the Bank of England the minimum rate of discount is 10 per cent.; all transactions however are almost restricted to advances on Consols; in the open market accommodation cannot be had except upon almost prohibitory terms.

It would be perfectly impracticable at present, and for some time forward, to float Colonial Securities, the market being altogether nominal.

I have, &c.,

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

JOHN MORRISON.

No. 19.

Copy of a Letter from Mr. P. G. JULYAN to the Hon. E. W. STAFFORD.

Offices of the Crown Agents for the Colonies, Spring Gardens,
London, S.W., 26th May, 1866.

SIR,—

On the 26th ultimo, I informed you that a panic then existed in the Money Market here, which rendered it very difficult to deal with the unsold balance of your 6 per cents., amounting to £36,200. Since then matters have grown so much worse that it would be difficult for me to convey to you anything like a correct idea of the height to which the panic has reached.

You may form some conception of the state of things existing here a fortnight ago, when excitement was at its height, as well as the opinions prevailing at the present moment, by reading the enclosed articles, cut from the *Times* newspaper of the 11th and 25th instant.

I also enclose two paragraphs, cut from the same journal, referring to a transaction which had taken place in your 5 per cents., being a portion of those disposed of by the Crown Agents to the "Credit Mobilier" in 1864, and held by them ever since. It would be unfair, however, to assume that the price therein referred to (60) is the actual measure of the market value of your securities at the present moment; nor must it be taken as any indication of a depreciation of your credit in the London Market. The transaction arose out of the necessities of the Company, and the scarcity of money during an unprecedented panic, when sales, to any extent, could not be effected unless at some such sacrifice. At the same time, the fact that this Company with all their efforts have never been able to recoup themselves of the purchase money, affords indisputable evidence if such were needed that these securities were originally placed on the market by the Crown Agents on terms very advantageous to New Zealand.

It is satisfactory also to be able to report that, in the midst of this crisis, we have been able to reduce the unsold balance of your 6 per cents. to £18,000, having since the departure of the last mail disposed of £15,600 at 92, and £2,600 at 91½; and we hope, as the panic subsides, gradually to work off the remainder at no less satisfactory prices.

To accomplish this we have been obliged to hold out the inducement of an extra ½ per cent. to the Stock Brokers on all they have succeeded in placing since the public allotment took place.

The final instalment was paid up on the 21st instant, in accordance with the advertised conditions which were sent to you, with the exception of £620, which will I believe be paid in a day or two hence, with interest. Out of the sum so received, £40,000 was retained to meet your bill of the 14th March last; £50,000 in accordance with the request contained in the postscript of your confidential letter of the 15th March; £7,000 was paid on the 25th instant to your credit with the Bank of New Zealand; and the remainder disposed of as per accounts, which will be rendered to you in due course.

B.—No. 1A. 14 FURTHER PAPERS RELATIVE TO THE LOAN OF £3,000,000.

The two above-named sums of £50,000 and £40,000, which at ordinary times we should have placed at interest with some of the leading Joint Stock Banks until the money was required, are now lying idle at our bankers—the Bank of England; and in the present state of doubt and uncertainty which extends to all other banks, we are unwilling to risk placing it elsewhere, although the rate of interest is just now exceptionably high on money deposited at a few days' call.

The bill for £27,000 on the Bank of New Zealand, remitted in your letter of the 15th March last, was duly accepted on the 14th instant, and made payable at the Bank of London, of which Mr. Larkworthy, the managing director of the Bank of New Zealand, is also a director. Since then the Bank of London has stopped payment; but the Bank of New Zealand will doubtless make provision for the retirement of their acceptance at maturity, which will not be until the 16th of July.

Finally, I enclose for your information, a paragraph cut from the report of the financial statement of the Chancellor of the Exchequer made in the House of Commons, by which you will perceive that the suggestion originally thrown out by the Crown Agents, that the Imperial Government should guarantee the £500,000 New Zealand 4 per cents., has been proposed to Parliament.

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

I have, &c.,
P. G. JULYAN.