

TERMS OF AGREEMENT

BETWEEN THE

GOVERNMENT AND THE BANK OF NEW ZEALAND,

WHEREBY THE BANK AGREES TO ADVANCE

TWO HUNDRED THOUSAND POUNDS

AGAINST

DEBENTURES UNDER “THE TEMPORARY LOAN ACT, 1870.”

PRESENTED TO THE HOUSE OF REPRESENTATIVES BY COMMAND OF HIS EXCELLENCY.

WELLINGTON.

—
1871.

TERMS OF AGREEMENT BETWEEN THE GOVERNMENT AND THE BANK OF NEW ZEALAND.

No. 1.

Mr. D. L. MURDOCH to the Hon. J. VOGEL.

Inspector's Office, Bank of New Zealand,
Auckland, 23rd September, 1870.

GENTLEMEN,—

In accordance with the understanding at which we arrived during our interview this morning, I have now the honor to submit to you, in writing, the proposal then agreed upon, and by which, upon your acceptance of it, the Bank will be bound :—

1. That the Bank shall place at the credit of the Government such sums, not exceeding in the whole £200,000, as may from time to time be required, such sums being advanced against £225,000 debentures issued under "The Temporary Loan Act, 1870," and placed in the hands of the Bank for negotiation.

2. That the Bank shall send the debentures, at the risk and expense of the Government, to London, by the mail leaving Auckland on 7th proximo.

3. That the debentures shall be disposed of in London at such prices as may be agreed upon by the Bank and the Crown Agents acting jointly. Provided that if it shall seem to the Bank to be desirable, instead of selling the debentures, to borrow on them, for not less than twelve months, the amount of £200,000 so advanced or to be advanced to the Government, the Bank shall be at liberty so to borrow at a rate of interest not greater than 1 per cent. in excess of the Bank of England rate for the time being.

4. That if the Bank should not think it desirable so to borrow upon the debentures, or should be unable to borrow upon the terms above mentioned, the Crown Agents and the Bank jointly shall, as before stated, sell the debentures on such terms as may seem to them best. Provided that if, at the expiration of sixty days from the date of the receipt of the debentures in London, the Bank and the Crown Agents are not able to agree together as to the terms on which the debentures shall be sold; or, having so agreed, shall not be able to sell the bonds at the price agreed upon; and provided, also, that the Crown Agents, upon being applied to by the Bank, are not willing to pay to the Bank the amount of the advance, namely, £200,000, and to relieve the Bank of the debentures, the Bank shall then be at liberty, acting alone, to make such sale or other disposal of the debentures as may seem to it best calculated to serve the interests of the Government.

5. That the Bank charge for the negotiation of the debentures shall be $\frac{1}{2}$ per cent., such charge to include brokerage.

6. That advances under this agreement shall be charged to a special account at Wellington, the balance of which, while under £50,000, shall bear interest at 6 per cent., and when above that amount, 7 per cent.

7. That the proceeds of the sale or hypothecation of the debentures shall be placed to the credit of the Government at par, upon receipt of advices of the proceeds having been received by the Bank in London.

I have, &c.,

D. L. MURDOCH,

Inspector.

The Hon. Julius Vogel and the Hon. Dr. Pollen

No. 2.

The Hon. J. VOGEL and the Hon. D. POLLEN to Mr. D. L. MURDOCH.

SIR,—

General Government Offices, Auckland, 26th September, 1870.

We have the honor to acknowledge the receipt of your letter of date 3rd September instant, stating the terms and conditions upon which the Bank of New Zealand will advance to the Colonial Government the sum of £200,000, against £225,000 debentures issued under "The Temporary Loan Act, 1870," and, in reply, to inform you that we accept your proposal.

Debentures for the above sum, bearing interest at 6 per cent., and redeemable in three years from the date of issue, will be placed in your hands for transmission to England by the mail on 7th proximo.

We have, &c.,

JULIUS VOGEL,

DANIEL POLLEN.

The Inspector,
Bank of New Zealand, Auckland.

No. 3.

The Hon. J. VOGEL and the Hon. D. POLLEN to Messrs. JULYAN and SERGEAUNT.

GENTLEMEN,—

Government Offices, Auckland, 7th October, 1870.

We have the honor to enclose to you copies of the following Acts passed by the Assembly of New Zealand during its last session, viz., the Immigration and Public Works Loan Act, the Defence and other Purposes Loan Act, and the Temporary Loan Act.

The Temporary Loan Act was passed just before the close of the session, after news had been received of war having broken out in Europe, and when an impression seemed to prevail that it was possible England might be embroiled, and, consequently, that it might be difficult to obtain money at a reasonable rate of interest. That impression gained strength from the high rate to which exchange was immediately raised. The Temporary Loan Act was passed, therefore, to enable money to be obtained pending arrangements being made under the other Loan Acts.

By an Order in Council (copy of which we enclose) we have been appointed agents to raise money, and to prepare and issue the necessary bonds, under the Temporary Loan Act.

We have made an arrangement (copy of which we enclose) with the Bank of New Zealand, whereby that Bank agrees to advance £200,000 on security of debentures for £225,000 to be negotiated as stated in the arrangement.

You will see from that arrangement that the Bank is either to borrow money at a rate not exceeding 1 per cent over Bank of England rate for the time being, for a term of not less than twelve months, or is, in conjunction with yourselves, to sell the debentures at such rates as, within sixty days after their receipt, you may jointly agree upon. At the end of sixty days, should you not have made a sale, and should the Bank not have borrowed upon the debentures as already described, the Bank will be at liberty to do what it thinks best, unless you, at your discretion, place it in funds to cover the amount advanced and to retire the debentures. That provision was inserted in order to give you power, should you think it necessary to use such a power, to take the matter entirely out of the hands of the Bank. We hope, however, that you will see your way to work cordially with the Bank, and that, so working, you will be able to agree upon the disposal of the debentures in the way which you believe will be most conducive to the interests of the Colony.

We have given the Bank the option of borrowing on the debentures without selling them, because we are inclined to think that that would be the best mode of at once disposing of them in case there was a reasonable probability that the causes of a difficulty in the way of obtaining money would soon be at an end.

The object of the Government would, of course, be to make such use, from time to time as might be required, of the powers of raising the larger loans under the Immigration and Public Works Loan Act and the Defence and other Purposes Loan Act. It is quite possible that, by the time you receive this letter, you will have come to the conclusion that there was no necessity to have provided for this temporary loan—that the securities under the other Loan Acts might have been made available; but we have only very imperfect knowledge here of what is taking place in Europe, and, under the circumstances, seeing that immediate use of money was required, the course which has been adopted seems to be the most desirable.

We should observe that the power given to the Bank to act independently after the sixty days, was one for which the Bank stipulated, seeing that an absolute advance was being made, and that otherwise the Bank might be prevented from covering itself. We hope, however, that within the sixty days, yourselves and the Bank will have jointly agreed as to what is best to be done.

Should you feel that it is necessary you should operate upon the power of paying off the Bank, we presume that it will only be in the event of your not agreeing with the Bank as to what should be done, and disapproving of the course proposed by the Bank. Should you, however, resolve to exercise the power, and pay the Bank the £200,000, you will be at liberty to dispose of the debentures as you may think best for the interests of the Colony.

We leave you to make such charge for this special service as you may consider reasonable.

We have again, in conclusion, to express the hope that you will aid the Bank to do the very best possible for the Colony under the circumstances we have narrated, and which you will readily understand.

Should the Hon. Mr. F. Dillon Bell or the Hon. Dr. Featherston be in England when you receive this letter, we shall be glad if you will consult those gentlemen, or either of them, on the matter respecting which we have now addressed you.

We have, &c.,
JULIUS VOGEL,
D. POLLEN.

Messrs. Julyan and Sergeaunt,
Crown Agents to the Colonies, London.