

London was not more than one-third of what has now to be remitted; and since that date the selling rate to the public has uniformly been $1\frac{1}{2}$ premium.

As desired, a statement is enclosed of the dates on which the several amounts should be paid here to secure their transmission by sixty days' sight drafts in sufficient time to mature in London as the payments become due.

I have, &c.,
T. M. STEWART,
Acting Manager.

The Hon. the Colonial Treasurer, Wellington.

Mr. JOHN HALL to the MANAGER, Bank of New Zealand, Wellington.

SIR,—

Treasury, Wellington, 8th July, 1868.

I have the honor to acknowledge your letter of this day, communicating the terms on which the Bank will be prepared to carry out the arrangement respecting payment of interest and sinking fund in London, proposed in my letter No. 498, of the 12th ultimo.

In answer, I have to state that I do not see my way to agreeing to these terms as a permanent arrangement without giving the matter further consideration than time and circumstances now admit of. As a temporary arrangement, however, I am prepared to agree to this proposal on the understanding that it will be open to reconsideration hereafter. I shall be glad of the arrangement dating on and from to day, a remittance being required by this day's post to meet the interest due on 1st November next.

I have, &c.,
JOHN HALL.

The Manager, Bank of New Zealand, Wellington.

The Hon. E. W. STAFFORD to the MANAGER, Bank of New Zealand, Wellington.

SIR,—

Treasury, Wellington, 5th December, 1868.

I have the honor to bring under your notice the alteration which has been made and is being effected by the operations under the authority of the Consolidated Loans Act in respect of payments to be made in London on account of interest and sinking fund on the loans of the colony.

The result of these operations will materially alter the dates of payment and the amounts to be paid for, which it is necessary that arrangements should now be made. It is not practicable yet to state with precision what these amounts will eventually be; but, by the last advices received from London, I learn that the next quarterly payment of interest on the consolidated loans would amount to £59,700, and, if the conversion is completely effected, the quarterly payments to be made may reach a maximum of £105,000, equal to £420,000 per annum. These payments, I need scarcely observe, will not be in addition to the £265,000 you have already undertaken to provide for, but will take the place of £210,000 of that sum, and of the sums which you are now paying for the Provinces of Canterbury and Otago.

In connection with the subject of the sums which may require to be provided to meet these payments, I would call your attention to the greatly improved state of the Public Account with your Bank, and to the large balances that are and have been lying there, and which on this day amount in the Bank in Wellington to £112,483 9s. 11d., in addition to the money that has been paid in to the various branches of the Bank since the 23rd ultimo.

In view of all the circumstances, I now propose that the Bank should undertake to make the payments as they will be required, according to a schedule to be furnished by the Treasury, on the Government paying the several sums to the Bank in Wellington three months before the date of payment in London—that is to say, that for a sum due in London on the 15th April, the money shall be paid to the Bank in Wellington on the 15th January.

I have to request the favour of an early reply.

I have, &c.,
E. W. STAFFORD.

The Manager, Bank of New Zealand, Wellington.

Mr. T. M. STEWART to the Hon. the COLONIAL TREASURER.

SIR,—

Bank of New Zealand, Wellington, 16th December, 1868.

I have the honor to acknowledge receipt of your letter of 5th inst., intimating the alteration in the payments to be made in London on account of interest and sinking fund on the consolidated loans of the colony, and proposing a modification of the terms on which the Bank shall in future transmit the money for these purposes to the Crown Agents.

2. Under our present agreement the Bank makes these remittances by sixty days' drafts, at a uniform rate throughout the year of $\frac{1}{2}$ per cent. premium. Your proposal that we should undertake to make these payments, "on the Government paying to the Bank in Wellington the several sums three months before they fall due in London," is equivalent to a request for a reduction of $\frac{1}{4}$ per cent. in the rate of premium; for by this arrangement the Government would retain the use of the money for a month longer, and the Bank would have to pay $\frac{1}{4}$ per cent. on the amount in interest during that term.

3. A slight consideration of the cost to the Bank of providing cover for so large an amount would show that such an arrangement must be the reverse of profitable. The payments are of such a magnitude that in order to meet them recourse must frequently be had to the Australian market for British exchange; and when it is considered that the rate ruling there at the present time (the most favourable in the course of the year) is $\frac{1}{2}$ per cent. premium for sixty days' sight drafts, I trust it may be evident that the Bank has dealt liberally with the Government in undertaking so large a transaction at what must be regarded as the minimum rate in Australia. Exceptional cases arise doubtless where exchange can be had on lower terms, but I am satisfied that our existing arrangement will bear a favourable contrast with that subsisting between the Governments of the neighbouring colonies and