

Bank was itself ready to do. In reply, I received the satisfactory assurance that the Bank did not foresee any duties arising out of future conversions which would not be covered by the agreement.

In any future operation, therefore, the Bank of England will simply do whatever the Government may (within the four corners of the agreement) instruct it to do. The inscription will go on from beginning to end as a mere matter of ordinary routine at the Bank. The Stock Agents will have nothing whatever to do with it. Their function will, as I have said, be at an end when they have declared the terms of the conversion and created the stock.

Nor will any new machinery whatever be wanted. Perfect machinery for inscribing stock has existed at the Bank of England ever since there were any Consols to inscribe, and nothing is wanted to make it applicable to the conversion of a New Zealand bond. But if there were, it is the Bank that would have to construct the machinery, and not the Stock Agents. All the latter will have to do in the way of "machinery" is to declare the terms on which the proposed conversion is permitted, and the manner in which they have created a particular amount of stock; to make the declaration under the Imperial Act for the Inland Revenue; and to give any formal directions which may be required by the Bank for its guidance and protection. Everything else will be done by the Bank of England.

But the question may, perhaps, be asked whether it is not necessary for a debenture to be identified, de-registered, and cancelled before it is inscribed, and whether its cancellation and de-registration ought not to be done by the Stock Agents; also, whether this must not be done in order to prevent fraud and double payments of interest. My answer is that it will never be the business of the Stock Agents to do any of this work at all. The identification and cancellation will be done by the Bank of England; the de-registration will be done by the Crown Agents; and there never will be any danger whatever of interest being paid twice over either at Downing Street or at the Bank.

As this is a matter which may be entirely misunderstood, it will be convenient that I should make it clear. I will do so by explaining what was done about the Five-Million Loan.

The Crown Agents and the Bank of England were the instruments employed by the Loan Agents in carrying out the details connected with the raising of the Loan. The Crown Agents' Office was made the domicile of that part of the Loan which was taken in debentures, and the Bank of England was made the domicile of that part which was taken in stock. The debentures were printed, numbered, and registered in the office and under the supervision of the Crown Agents. The Loan Agents signed them and handed them over to the Bank for issue. Those subscribers who elected to take debentures received them from the Bank, and the rest of the subscribers were at once inscribed at the Bank for their quota of stock.

At this point, the whole Loan having passed into the hands of the public, the joint labour and responsibility of the Loan Agents, the Crown Agents, the Stock Agents, and the Bank came to an end. The powers and functions of all the Agents in respect of the Loan became exhausted; the Bank alone retained any function; and the Bank's function was the single one of converting into Inscribed Stock any debentures that might be brought in for that purpose up to the 16th March, 1881.

Now, when a debenture was brought in to be inscribed, the Bank forthwith cancelled it by printing on its face in large red letters the word **INSCRIBED**, and by punching out and defacing the coupons. I enclose one of these defaced bonds, and also a defaced scrip, to show you how it was done. The bond thereupon became mere waste paper. It was for ever made incapable of being presented at any domicile of the Loan for payment of either interest or principal. The Bank had taken all the responsibility of identifying it at the time it was inscribed, and there was no fraud possible which could inflict loss or liability upon any one else. The Bank became bound to pay the interest on the stock for which the debenture had been inscribed, and if the Crown Agents chose to pay interest on a defaced coupon afterwards, that was their business.

Thus the Stock Agents, in any future conversion, will not have any more to do with the de-registration of a debenture than with its identification and cancellation. It was not they who created it or registered it, and they can no more de-register it than cancel it. Whatever de-registration is necessary, it will again be the business of the Crown Agents, where the Loans are domiciled. The registers are the joint property of the bondholders, the Agents at the domicile, and the Government; and the bondholders are entitled not only to have them kept at the domicile, but to have no entry made in them there except by the Crown Agents.

The de-registration, indeed, is a very simple affair. In one column of each page, the bonds are registered by their consecutive printed numbers; in the other columns the payment of each coupon is recorded opposite the number of the bond. When the Bank of England sends back any cancelled bonds, the de-registration is done by drawing a red line along the page across the coupon columns. The red lines show at a glance what bonds have been inscribed, and what bonds still remain for the Crown Agents to pay interest upon. That is all.

Even this is not really indispensable. If the red line were never to be drawn across the page, a defaced coupon would not be any the less incapable of being presented for payment, or the bond to which it belonged either. Exactly the same thing would happen as if the bond and coupon were lost or burnt. The effect in both cases would be, that as the bondholder had ceased to hold his bond he could not produce it, and no entry could be made in the coupon column. The column would remain blank: and if it remained blank for ever, no harm could come to anybody.