

## No. 52.

The AGENT-GENERAL to the COLONIAL TREASURER.

Sir,

7, Westminster Chambers, London, S.W., 19th October, 1887.

Since receiving your letter of the 7th March last, No. 3, transmitting an Order in Council delegating to Sir Penrose Julyan and myself the powers vested in the Governor under "The Lost Debentures Act, 1886," I have conferred with the Government solicitors as to the steps that might be safely taken by the Stock Agents in exercise of those powers, but hitherto I have not been able to see my way to any definite action. I enclose herewith a letter from Messrs. Mackrell, containing suggestions on the subject, to which the Stock Agents will give due consideration before addressing you again.

Hon. the Colonial Treasurer, Wellington.

I have, &amp;c.,

F. D. BELL.

*Enclosure in No. 52.*

DEAR SIR FRANCIS,—

21, Cannon Street, London, 17th October, 1887.

*Lost Debentures.*—As the result of the inquiries which we have made since our last interview with you on this subject, we find that under no circumstances is a fresh debenture issued in the place of a lost debenture, to bearer, by any Government, and, although the practice is by no means uniform, the limit of concession appears to be payment some time after due date of the various coupons, and of the debenture in the same manner, the whole operation being covered by a banker's guarantee. We have made inquiries at the Bank of England, and it appears that in cases where bank notes of £100 or upwards are proved to have been lost or destroyed, the bank will, after a few years, invest in consols, in the name of the Governor of the Bank, the amount of the note, and pay the dividends to the claimant, and, after a lapse of twenty years, will transfer the consols into his name, under a banker's guarantee. We understand that the Crown Agents occasionally pay the amount of coupons which have been lost, upon receiving strict evidence and a bond of indemnity, but their practice in this respect is no doubt known to you.

The provision of "The New Zealand Act (No. 3), 1886," which directs that the Governor, on receiving proof of loss of a debenture and an indemnity to his satisfaction against the claims of all persons deriving title under the lost debenture, may either issue a new debenture or direct the creation of stock in satisfaction of such lost debenture upon such terms as may be agreed upon between the Governor and the person interested, and the delegation by the warrant of the 24th February, 1887, of the powers of the Governor to yourself and Sir Penrose Julyan, as Stock Agents, seems to us to raise and throw upon you the responsibility of deciding the questions as to the amount of proof which you should require; the indemnity which you should take, and the terms upon which you should agree to the creation of any new stock. Many of the debentures of the New Zealand Government have a considerable time to run, and as you have referred it to us to prepare a form of indemnity which we should advise should be used, we would, before doing so, desire to point out that the value of any bond of indemnity which could be taken must practically diminish as time elapses after its execution; so that if no claim under the indemnity arose until the due date of the debenture it might be very difficult then to enforce the rights of the Government under it, since, by reason of the death of the principal, or some of the sureties, and the distribution of their estates by the executors without notice of the claims of the Government under the indemnity, the Government might be driven to follow the assets of the guarantors in the hands of the beneficiaries, a matter always of much difficulty.

We do not, therefore, see that an indemnity by any individual, if given on the issue of a new debenture some years before the due date of the lost debenture, would be any effectual protection to the Government in the event of a claim being made in respect of the supposed lost debenture at its due date, for the amount of the debenture and some arrears of interest. The fact of new debentures being issued by the Government in respect of lost ones might, if the circumstances were known, lead to fictitious applications being made by unscrupulous persons for the issue of new debentures for debentures which were supposed to have been lost, though not so in fact, and this seems to us to be a very formidable objection to the issue of any new debentures at all. Some scheme analogous to that adopted by the Bank of England, to which we have referred, appears to us to be the only method which we can suggest to the Government for adoption in cases where it has been clearly established that the debentures have been lost within the meaning of the New Zealand Act. We think it would be possible to frame a general deed under which stock to the nominal amount of the lost debenture, less expenses, might be created and vested in the names of the Stock Agents upon trust to pay the dividends to the owner of the lost debenture during the currency of the debenture, or until the proper coupons were presented, such payment being made under the guarantee of a banker, or some responsible person who should execute the deed, and after a definite period from the due date of the debenture, to transfer the stock to the owner of the lost debenture, or his representatives, under a similar guarantee. We presume that the number of cases in which debentures or coupons are lost is by no means great, so that it might, perhaps, be desirable to have a form of indemnity and trust deed settled for use in each particular case rather than to have a general deed with schedules applicable to each case. This, however, is a matter of detail, which will have to be carefully considered if the Agents see their way to advising the Government to adopt the suggestion. It has occurred to us that by a small deduction from the interest, and a percentage upon the amount of the debenture, an insurance fund might be gradually formed, though we presume that the number of cases of lost debentures would not be sufficient to raise the fund to any considerable amount. The Guarantee Society guarantees the fidelity of employes, but we are not aware that they extend their business to such guarantors as we have referred to above.

We await further instructions before proceeding with the matter.

The Agent-General for New Zealand.

We have, &amp;c.,

MACKRELL, MATON AND GODLEE.

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