

make the required advance provided no unforeseen difficulty or financial trouble intervenes. Of course, I recognise the necessity for the Bank making these provisos, because of the length of time which will elapse between the present negotiation and the date on which the advance will be required.

And now as to the conversion operation itself. I apprehend you will have to make a further creation of stock, as these debentures are not included in the schedule to the deed-poll for the last creation of £3,000,000 $3\frac{1}{2}$ -per-cent. Inscribed Stock. On looking over our liabilities in respect of bonds falling due next year, outside the debentures for £400,000, I find there are only two small parcels due—namely, £64,000 Consolidated Loan, 1867, and £28,700 Lyttelton and Christchurch Railway Loan, 1860; both these liabilities are, however, provided for in the £3,000,000 inscription. As regards the colonial issue of debentures under “The Consolidated Stock Act, 1884,” falling due at various dates, the earliest of which does not mature until May, 1895, it may be of importance to consider whether the new creation of stock should not also provide for the conversion of these debentures; I shall therefore be obliged by your consulting Sir Penrose Julyan, and cabling to me the result of your deliberations.

I do not think I have anything more to add. The 1st March debentures being in London, all the necessary steps towards a satisfactory settlement with the Colonial Bank, and for the securing the Bank of England, I can confidently leave in your hands.

I have, &c.,
J. BALLANCE.

The Agent-General for New Zealand, London.

Enclosure 1 in No. 26.

SIR,— The Colonial Bank of New Zealand (Head Office), Dunedin, 15th September, 1892.
I have the honour to acknowledge receipt, through the Hon. George McLean, M.L.C., of your despatch No. 392, of the 5th September, addressed to him, enclosing copy of a letter from the Managing Director of the Colonial Bank of New Zealand in London, to the Agent-General, dated 31st July, 1892.

The Hon. George McLean has requested me to reply to your despatch.

The proposal contained in the letter from our Managing Director in London, dated 31st July, was made after consultation with the Agent-General, and a review with him of all the circumstances; the letter itself was written with the intention of showing what was thought to be the best way of saving the Government the heavy stamp duty according to the new Imperial Act, 54 and 55 Vict., 1891, chap. 39, sections 82, 83, 84, 85, under which a new issue of debentures would come. Nothing was further from the intention of the writer of the letter than to make difficulties, nor had the Bank any thought of making sales of the securities to be given to it.

In your despatch under reply you state that it is your intention to substitute for the debentures maturing on the 1st March, 1893, debentures under “The Consolidated Stock Act, 1884.” While thanking you for this information, I have merely to add that, if the proposed issue be perfected and bear the same rate of interest as the debentures expiring 1st March, 1893, the plan you propose would, so far as I can see, meet all our requirements in London, and I shall have pleasure in advising our Managing Director accordingly.

I have, &c.,
H. MACKENZIE,
General Manager.

The Hon. John Ballance, Colonial Treasurer, Wellington.

Enclosure 2 in No. 26.

SIR,— The Treasury, Wellington, 21st September, 1892.
I have the honour, by direction of the Colonial Treasurer, to acknowledge the receipt of your letter of the 15th instant, in which you state that the debentures which the Treasury propose to substitute as security for the £400,000 advance would meet all your requirements if they bore the same rate of interest as those falling due, and to inform you that the Government has the matter before them for further consideration.

In the meantime, I am to submit the following alternative proposals to you:—

1. Will your Bank be prepared, on 30th June next, to renew the advance for a further term of one or two years, at a reduced rate of interest, say, $4\frac{1}{2}$ per cent. ? or,
2. Would the Bank accept payment of the £400,000 on the 1st March next, with interest to that date ?

I have, &c.,
JAS. B. HEXWOOD,
Secretary to the Treasury.

The General Manager, Colonial Bank of New Zealand, Dunedin.

Enclosure 3 in No. 26.

SIR,— The Colonial Bank of New Zealand, Head Office, Dunedin, 26th September, 1892.
I have the honour to acknowledge receipt of your letter of the 21st September, acknowledging the receipt of my letter of the 15th instant, and making two alternative proposals:—

(1.) Will this Bank be prepared, on 30th June next, to renew the advance of £400,000 in London for a further term of one or two years at a reduced rate of interest, say, $4\frac{1}{2}$ per cent. ?—We are prepared to renew the loan of £400,000 on 30th June next for a further term of one or two years, but the rate we require is 5 per cent. per annum, because, looking to the probabilities of the money market, it is considered by the Board that $4\frac{1}{2}$ per cent. is too low a rate to bind the Bank to advance for such a length of time on security which, although undoubted from our point of view, has not the advantage of being quoted on the London Stock Exchange. We would point out that in the agreement with the Government bankers, 5 per cent. is the rate agreed upon for advances on the security of New Zealand Government securities, “quoted on the London Stock Exchange.” New Zealand Government securities quoted on the Stock Exchange can always be borrowed on by us at exceptionally good rates, while New Zealand Government securities not so quoted cannot be used to the same advantage, and at a time of dear money a loan against them might cost us more than the rate of $4\frac{1}{2}$ per cent.

(2.) Would this Bank accept payment of the £400,000 on the 1st March, with interest to date ?—If our doing so would in any way facilitate your negotiations we shall be quite agreeable to take payment in London on the 1st March next of the £400,000 and interest. We should, however, be obliged if you could give us as early notice of your intentions in regard to this as you conveniently can.

I have, &c.,
H. MACKENZIE,
General Manager.

The Hon. John Ballance,
Colonial Treasurer, Wellington.
(No. 434.)

Enclosure 4 in No. 26.

SIR,— The Treasury, Wellington, 4th October, 1892.
I have the honour, by direction of the Colonial Treasurer, to acknowledge the receipt of your letter of the 26th ult., in which you state that your Bank is prepared to renew the advance of £400,000 for one or two years, but would require the rate of interest therefor to be 5 per cent., or would accept repayment on 1st March next if desired, and to inform you that he hopes to be in a position to give a definite reply shortly as to whether the Government will decide to repay the advance on the 1st March next, or ask your Bank to renew on terms to be mutually arranged.

I have, &c.,
JAS. B. HEXWOOD,
Secretary to the Treasury.

The General Manager, Colonial Bank of New Zealand, Dunedin.