In speaking of this process, it will not be necessary to explain in any detail the functions which devolve upon Agents appointed under the Stock Act of 1877. These have already been succinctly defined by yourself in your letter of 21st April, 1880, where you point out that (divested of technical phrases) they are limited to two objects: first, to declare the terms upon which the bonds of a loan may be converted into Inscribed Sstock; secondly, to authorize the creation and issue of such stock. When the Agents have done these two things, their powers are exhausted.

In consequence of the system we have followed in raising our loans, the functions of the Agents we have employed (though often exercised by the same persons) have been so separated as to multiply the work, and make it easy to think that several processes were required, which will in future be avoided. For instance, it would be difficult to say what part of the work of negotiating, issuing, and converting the Five-Million Loan was done in the character of Loan Agents, what part in the character of Crown Agents, what part in the character of Stock Agents, and what part fell to the lot of the brokers and the Bank. In some of the business, they all acted jointly and in consultation with each other; but there were certain special duties which could only be performed in some one of the characters. Thus the Stock Agents alone could fix the terms of the conversion and create the Inscribed Stock; the Loan Agents alone could create (or authorize to be created) the actual scrip and debentures of the loan; the Crown Agents alone could create the registers of so much of the loan as was domiciled with them. But there was no necessity for our legislation to have made all this separation of function; and it certainly need never happen again, whether in the issue of a new loan or the conversion of an old one; for the fact is, that we have already to our hand a perfect organization which will do nearly all we want, and we have already arranged what it is to cost.

The agreement of 1875, with the Bank of England, substantially made every provision necessary, whether for the issue or the conversion of a loan. Under that agreement, the Bank was to do for the colony exactly what it did for the Imperial Government and the Metropolitan Board of Works. The Bank was not only to convert debentures of an existing debt, but to bring out any new loans; and as the Bank was to make no charge for receiving scrip deposits, tenders for new loans were to be invited there in exactly the same way as for a Board of Works loan. It was even urged at the time, as one great advantage of the agreement, that it would "render wholly unncessary" the payment of any more commissions on the negotiation of new loans. The $\frac{1}{4}$ per cent. which (except in the case of the Rothschild loan) the Crown Agents had been accustomed to receive, was to be saved: under the "new system" there was to be no creation of debentures until after inscription, and if there were any then they were to be created by the Bank: and in comparing the commissions the Bank was to get with those formerly paid, we were assured that the Bank was not only to do the work of issuing new loans, whereby this saving of $\frac{1}{4}$ per cent. would be made, but was also, in addition, to do for the agreed remuneration everything that was required in the inscription, the issue of bonds to bearer, or the re-inscription of the stock.

The intent and purpose, therefore, of the Bank agreement of 1875 was quite clear. Nor is there any doubt that its effect as well as its purpose was to entitle the Government to require that whatever routine work had to be done about a loan, whether for the issue or the conversion of it, should be done by the Bank of England. This, indeed, came out clearly in the Five Million Loan. When the Bank formally intimated to the Loan Agents, in a letter dated 5th February, 1880, that it was prepared to inscribe the stock on the terms set forth in the agreement, the Bank letter, together with the prospectus of the loan and the letters of 1875 which constituted the agreement, were submitted for Counsel's opinion whether any more formal instrument was necessary; and on the 11th February Mr. Dennistoun Wood advised, not only that the letters embraced all the matters referred to in Section 7 of our Stock Act, but that it was an implied term of the agreement created by the letters of 1875, that the Bank, like other agents, should comply with the directions of its principals, if reasonable and not inconsistent with the express terms of the agreement.

The Bank, it is true, did not undertake by the agreement to be concerned in fixing the terms on which a new loan should be issued or converted; but, nevertheless, it really was very much concerned in the terms for the Five-Million Loan, since it received the $\frac{1}{2}$ per cent. commission of £25,000 for issuing it. Upon these terms being settled, the Bank was perfectly ready to do, and actually did, whatever it was told. The prospectus of the Loan was issued at the Bank itself, the subscription lists were opened there, the tenders were sent in there, the allotments were made there, the money was all received there, the scrip was issued there, the scrip was exchanged for debentures there; and, if the Government had chosen to delegate to the Bank even the work of making out the debentures themselves, there is no reason for thinking that the Bank would have made any more difficulty about issuing the debentures than it did about issuing the scrip.

As the same time, I thought it desirable to prevent any doubt arising hereafter as to the construction which the Bank would put upon the agreement of 1875. I therefore waited on the Governor of the Bank, and had interviews with him and the Chief Cashier and Chief Accountant, which resulted in the correspondence I now enclose. You will observe that I distinctly asked the Bank whether any work would fall upon it in future operations which was not covered by the agreement, as it was essential that no one else should have to be paid for doing what the