

However, some form of de-registration, though not indispensable, is wanted by the Crown Agents, who are the custodians of the registers. But when I came to think again over this business of the Bank of England sending back the cancelled bonds for de-registration, it seemed to me that the very risk which is alleged of double payment of interest, will make it desirable that in any future conversions the cancelled bonds should not travel any more than can be helped from place to place. I found that in other cases where the bonds are cancelled by the Bank, they are sent back to the Government that created them. I therefore arranged with the Bank that, in any new inscription, the bonds, when inscribed and cancelled, should (if you desire it) be sent out direct to the Treasury: certified lists of them being given periodically by the Bank to the Crown Agents, so that the red lines may be drawn across the pages in the respective registers before dividend day comes round. This plan may, perhaps, have to be further considered, for safeguards against forged bonds being in circulation: and it may also be necessary to take other precautions, such, for instance, as keeping the bonds for a certain time before sending them out. But any such details can easily be arranged with the Bank.

I have now gone through all the points which it seems necessary to explain in relation to mere process. The larger question of the principles on which any new conversion should take place, will be examined in another letter.

I have, &c.,

The Hon. the Prime Minister, &c.

F. D. BELL.

Enclosure 1.

The AGENT-GENERAL to the GOVERNOR of the BANK OF ENGLAND.

SIR,—

7, Westminster Chambers, London, S.W., 12th April, 1881.

At the interview with which I was lately honored by the Governor of the Bank, I promised to state in writing the points which, on behalf of the Government of New Zealand, I brought under his notice.

My Government has for some time had under consideration the question of permitting further conversions of the public debt into Inscribed Stock; and the extent to which the Five-Million Loan has been inscribed will probably lead to the inscription of other existing loans. As any such operation, however, must embrace not only an appreciable saving of interest to the colony, but a fair inducement to the bondholder, the closest economy in working expenses is necessary, to leave as much margin as possible for both the saving and the inducement.

The agreement of November, 1875, between the Bank and the Government, seems to provide for all the work necessary to be done in any inscription. The Bank did not, of course, undertake to be concerned in fixing the terms on which either a new loan should be issued or an existing loan converted. These were to be decided by the Government. But when once the terms were fixed, all the details of the business, whether for the conversion of an old loan or the issue of a new one, were to be done by the Bank. Thus in the case of the Five Million Loan, the Bank issued the prospectus, received the subscriptions, issued the scrip, cancelled the scrip when inscribed, as well as the debentures afterwards brought in for inscription, and paid the duty to the Inland Revenue.

But it has been the practice of the Bank, after cancelling the scrip and debentures of the Five Million Loan, to send them back to the Stock Agents—a course which in future and larger operations may be unnecessary. When the bonds are cancelled by the Bank, they become waste paper, and the more convenient plan may be for the Bank to send them out direct to the Treasury in New Zealand. It would only be requisite, in addition, for the Bank to send, from time to time, to the Crown Agents for the Colonies, certified lists of the cancelled bonds, in order that the Crown Agents should make entries in the original registers of the loans, to mark the distinction between bonds which had been inscribed and cancelled, and bonds on which interest would continue to be paid in Downing Street.

I take this opportunity of asking whether, in the opinion of the Bank, the experience of the Five Million inscription has shown that any work is likely to devolve upon the Bank, in future conversions, which is not covered by the agreement of November, 1875. A successful conversion of further portions of the New Zealand debt would probably make a large addition to the annual sum now payable to the Bank under the agreement; and it is essential that no one else should have to be paid for doing work which the Bank is itself ready to perform.

I have, &c.

F. D. BELL,

The Governor of the Bank of England, &c.

Agent-General for New Zealand.

Enclosure 2.

The BANK OF ENGLAND to the AGENT-GENERAL.

SIR,—

Bank of England, 20th April, 1881.

I am directed by the Governor to acknowledge the receipt of your letter of the 12th instant, in which, referring to an interview you lately had with him, you state that the Government of New Zealand have had under consideration the question of permitting further conversions of their public debt into Inscribed Stock.