greater importance to holders to convert. We were glad, however, to see that you recognized that it might be necessary to offer the same terms again, notwithstanding the fact of their being better for the holders. The most important reason why we think it may be necessary to offer the same terms is, that all the holders who deemed those terms acceptable have already come in and converted, and it may be fairly inferred that those who did not do so thought the inducement insufficient. If we were to reduce the terms in proportion to the lessened life of the old bonds it would only amount to our repeating an offer already refused.

From various causes some of the debentures may since have changed hands and may have fallen into the possession of persons willing to convert on terms equivalent to those originally offered; but those so held can form but an insignificant portion of the outstanding debt, and it seems to us necessary to make a more tempting offer, now in order to insure anything like success.

As the diminished life of the old debenture makes it less valuble than it was a year ago, the same nominal amount of new securities would be a better offer, though in a somewhat hidden form, and it might of itself suffice to turn the scale and induce those who practically refused last year's offer to come in now and convert. The operation will be a desirable one for the colony even without any reduction being made in respect of the shortened currency of the old loan, for after all it is the extinguishment of the sinking fund rather than any minute or exact calculations of value which must be the governing consideration.

We may mention, incidentally, that the Stock Exchange Committee have not yet granted an official quotation of last year's new bonds. The matter was before the Committee some time ago but one of their rules seems to require the particulars of the numbers and denominations of any issue to be printed on the face of bonds which had escaped notice when the bonds were being prepared. We shall be able to put the matter right in the next issue, but meanwhile the absence of official quotation has not prevented the bonds from being readily dealt in.

In two letters, 26th November, No. 1,488, and 18th December, No. 1,545, we reported to you that we should ask the Crown Agents to fix the next annual drawing in the first days of March. On reconsideration, however, we think it better not to anticipate the usual time, but let the drawing take place on the 15th. We shall take care, immediately after the drawing, to telegraph to you, as you direct, full particulars under the three heads you have been pleased to define.

IV.—Four-and-a-half-per-cent. Five-thirties.

We think it most likely you will have been surprised at the paragraph relating to this loan in our letter of the 15th December last, and also at our telegram of yesterday, advising you to let us issue an immediate notice to pay off the five-thirties, since we have thereby reversed our previous recommendation not to deal with these bonds now. A number of considerations, however, combined to make this change in our views. Your inscribed stock has gone into investment so well that the market has become rather bare of it. While it was yet hanging at and about par we were sounded by a syndicate as to a private arrangement for providing whatever money was required to pay off the five-thirties; and we were told that, if we would give the same terms as in 1883—namely, 103 of stock—the whole business would be taken firm. In the meanwhile, however, all the markets were moving upwards in sympathy with a better political and financial outlook, with the fall in bank rate to 3 per cent., and with an abundance of money. After repeated consultations we came at last to the conclusion that a really good opportunity existed at this moment to pay off the ontstanding five-thirty bonds, and that an announcement of that step would be a favourable precursor to the general announcement of the conversions in other loans.

With the pressure that would be brought to bear upon the holders of this loan by a notification that they would positively be paid off at par six months hence, aided by the difficulty they would experience just now in finding other safe investments to pay 4 per cent., we think that an offer of 101 of stock for £100 debenture would be very largely accepted; and the difference, if any, that might be required in cash we should have no difficulty in providing on favourable terms, in anticipation of the due date, by the sale to our bankers or to a syndicate of the requisite amount of inscribed stock.

Although no sinking fund will be released by the extinction of this loan, the saving in the charge for interest would, of course, be a very appreciable one.

If the operation were deferred for another half-year it would be impossible to take advantage of the present favourable state of the money market to make fixed arrangements for the provision of such money as we might require to pay off the non-converted bonds; whereas, for a date not more distant than the 1st August next, supposing the notice to be immediately published, we should at once be able to come to terms with our bankers or with a syndicate, at a fixed rate, for so much stock as would realize enough to discharge the non-converted part of the debt, so as to leave no doubt as to the final result of the transaction.

We are very sensible of the inconvenience it may have been to you to get a proposal requiring so immediate a decision, but it is only, in fact, at the last moment that we could ourselves see our way clearly enough to make the proposal at all; and we trust that your own perfect familiarity with the market changes which so often make sudden action expedient will excuse us to you for not giving the Government the longer time for consideration which would have been so desirable.

V.—General.

We should have much wished to give effect to your desire for any operation to be closed by a date that would allow of the results being brought into the financial year ending the 31st March, but, after repeated consideration, we have been obliged to give this up. We shall seem to you to have misled you by repeating, as we did in our letter of the 18th December, No. 1,545, what we had already said on the 26th November, No. 1,488, that we should fix the 20th March as the last day for conversion; but we must confess to having been rather hasty in that promise, and we think, for