

We have to request you to pay to the Commissioners of Inland Revenue the composition for stamp duty upon the stock, so as to enable the same after inscription to be transferred free of duty.

We authorise you to issue to the holders of the stock who may desire the same from time to time stock certificates to bearer, charging the same fees for such certificates as are payable in case of certificates for the Metropolitan Board of Works stock.

We also authorise you to transmit dividend warrants by post in the same manner and on the same conditions as dividend warrants for Imperial Government stock.

We also authorise you to pay the customary allowance of five shillings per cent. to the bankers, brokers, and agents on allotments of the stock made to them in pursuance of their tenders.

Lastly, we request you to transfer to the credit of the New Zealand Public Account at the Bank of New Zealand such sums as are received by you for subscriptions, retaining in your hands, until the accounts are closed, a sufficient amount to meet the Bank's charge for the issue, and other charges as heretofore paid by you on behalf of the New Zealand Government out of the proceeds of the New Zealand loans.

We have, &c.,

F. D. BELL,

P. G. JULYAN,

Stock Agents of the New Zealand Government duly authorised to raise and manage loans issued under
"The New Zealand Consolidated Stock Act, 1877."

The Governor and Company of the Bank of England.

No. 21.

The LOAN AND STOCK AGENTS to the COLONIAL TREASURER.

SIR,— Westminister Chambers, 13, Victoria Street, London, S.W., 26th October, 1889.

We now beg to report the steps taken by us since we last addressed you on the 12th July for the issue of a new $3\frac{1}{2}$ -per-cent. inscribed stock, to pay off the outstanding debentures of the Five-million Loan of 1879 and of the 10-40 loan.

The first step was to call in these debentures for payment, which was accordingly done by notices published in the *London Gazette* of 6th and 30th August, and *Times* of 23rd July and 30th August, as well as in the principal other London papers.

Meanwhile we had come to the conclusion that the currency of the new stock should be fifty years, and the Actuaries were desired to construct a table, showing the equivalent issue price for such a stock, to yield the same interest to an investor as would be returned by the present 4-per-cent. inscribed stock at given market prices of the latter. A copy of that table is now enclosed.

During August the prospect seemed very fair of the new stock being favourably launched. The inscribed fours had risen steadily until they touched 109 $\frac{1}{4}$, a price which (after allowing for accrued dividend of about three months) would give a middle price of about 108. That price, however, did not last, and by the middle of September it had fallen away to 106 $\frac{1}{2}$ -7 ex dividend. Towards the end of September a sudden stringency set in upon heavy withdrawals of gold; bank rate was up to 5 per cent., with a prospect of its having to go to 6, and the market became very sensitive and unsettled. As fast as gold came in it was taken away; and a number of causes combined together to make it nearly certain that money would continue to be dear up to the end of the year, so that if we did not bring out the loan at once we must put it off till January. Thus we found ourselves suddenly met by unexpectedly adverse conditions.

Up to that time we had been clearly of opinion that the most advantageous course for the colony was to make the operation one of a cash loan, without offering terms of conversion to the debenture-holders; and, although the events which had changed the position so adversely to us made it our duty to reconsider very seriously the question of making such an offer, the balance of considerations was still against it, except on terms very advantageous to the holders, as we could not run any risk of finding ourselves compelled to raise a large sum in January after all, without any time left over which to spread the instalments. We therefore decided to wait a little time to see if the market improved.

The market took a turn for the better about the middle of October, and after several conferences with the governors of the Bank it seemed that the favourable moment had arrived; so we decided to bring out the loan at once.

The first point of difficulty was, of course, the minimum. We strongly pressed the governors to bring out the loan at a minimum of not less than 96, but the Bank's brokers advised them not to consent to a higher one than 94; at last, after several conferences, they agreed to a minimum of 95.

The next point was to decide the date from which interest on the new stock should begin to run, which was fixed at 1st January, 1890, with the first dividend payable next July. The effect of this is a little complex, as we now go on to explain.

As it was necessary to get in enough money to pay off the £388,000 of unconverted bonds of 1879 on the 1st November, and also desirable to have a substantial instalment paid up at once, we fixed 20 per cent. as the amount payable on the 5th November, leaving 80 per cent. to be paid on the 26th February, debentures of the 10-40 loan being received at par at that date as cash. Subscribers who may be desirous of paying up in full in cash (not bonds) may do so under discount at $2\frac{1}{2}$ per cent., and get their stock inscribed at once. Thus the subscribers to the loan receive no interest on their first instalment of 20 per cent. for nearly two months to 31st December, but get nearly two months' interest afterwards on their stock, while they have till the 26th February to pay up. Broadly stated, the effect is this: (1.) The colony saves interest at $4\frac{1}{2}$ per cent. on £388,000 for two months, that being the rate the Bank of England asked for a loan if the issue was put off till January. (2.) The colony gets interest from its own bankers for those two months on the balance between the £388,000 and the aggregate amount of the 20-per-cent. instalment, as well as on any instalments paid up in full in cash. (3.) The colony pays $3\frac{1}{2}$ per cent. interest during January and February on the stock, in addition to the proportion of the coupon of the 10-40 debentures which belongs to those two months. (4.) The sum of the difference between the various debits and credits of interest and discount will come in by-and-by as part of the cost of the operation, to be defrayed, like the balance between par and the actual cash received, stamp duty, commission to the Bank of England, allowance of $\frac{1}{4}$ per cent. to bankers and brokers, and contingent expenses, by the sale of the requisite amount of stock.