It will be noted that the debentures were originally deposited with the Bank to be held to the joint order of Mr. Hamilton, as representing the Treasury, and Messrs. Julyan and Sargeaunt, as representing the New Zealand Government. I attach a copy of the receipt given by the Bank, which shows that the Bank held these debentures on behalf of two parties to what may be termed a trust. In September 1866, the Bank, without any authority from Messrs. Julyan and Sargeaunt, accepted a transfer of the debentures at par from the Treasury. The sale was objected to by my Government at the time, on the ground that the debentures were disposed of privately instead of in the open market, it being alleged at the time that the debentures would have realised a price considerably over par if sold publicly.

I attach a copy of the correspondence which took place at the time between the Colonial Government, the Crown Agents, and the Bank of England, from which it would appear clear that the Crown Agents were not consenting parties to the sale, and, despite the reason given in the Bank's letter of 15th October, 1867, it is submitted that notice of the intended sale by the Treasury to your Bank should have been given to the Crown Agents, even if their consent in writing was not absolutely necessary. It is clear from the correspondence that the Crown Agents would have insisted on a sale in the open market, instead of privately to your Bank, and the colony would have reaped a benefit in the shape of the premium, which would, it was alleged, have resulted from a sale, which benefit accrued to the Bank.

Under these circumstances it is submitted that your Bank, in determining the terms on which the Bank will allow the New Zealand Government to redeem these debentures, should bear in mind the fact that the bonds were originally acquired by the Bank from the Treasury in a method and at a price which was, at the time, protested against by the representatives of the colony.

I have thought it right to bring under your notice the circumstances under which the Bank became possessed of these debentures, as they certainly appear worthy of consideration when determining the conditions under which the Bank will be prepared to allow my Government to redeem them.

I am, &c.,
W. B. PERCEVAL.

The Governor and Company, Bank of England, London, E.C.

Enclosure 2 in No. 13.

Bank of England, 8th December, 1892.

SIR,—

I am directed to acknowledge the receipt of your letter of the 29th ultimo, and copy correspondence, with further reference to your letter of the 12th September last, on the subject of £500,000 New Zealand 4-per-cent. guaranteed debentures, which were sold by Her Majesty's Government to the Bank of England in September, 1866, and which your Government are now desirous of redeeming, and inquiring on their behalf whether the Bank are prepared to release the debentures for this purpose.

The somewhat voluminous correspondence that has passed between the different departments of the Government and the Governors of the bank with the New Zealand Government, sufficiently shows that the debentures in question were sold by Her Majesty's Treasury to the Bank at what was then considered a fair price; and the only question to determine is on what terms, if any, the Bank will now consent to meet the wishes of your Government to pay them off; and I am to say that, while the Governors have every desire to assist your Government, they do not feel that they would be justified in advising the Court of Directors to release the debentures for the purpose of redemption at less than their *present* value. Any definite proposal on this basis that you may desire to make shall receive their considerate attention.

I am, &c.,
F. MAY, Chief Cashier.

W. B. Perceval, Esq., Agent-General for New Zealand.

No. 14.

(No. 1.)

The PREMIER to the AGENT-GENERAL.

Premier's Office, Wellington, 25th January, 1893.

SIR,—

I am in receipt of your despatch No. 1742, dated 9th ultimo, enclosing copy of a letter which you had addressed to the Bank of England relating to the question of the payment-off of the £500,000 guaranteed debentures held by the Bank, and a copy of the Bank's reply.

On receipt of the telegram dated 10th instant, the figures quoted as actuarial equivalents appeared so high, that I was disinclined to go on with further negotiations with the Bank, and I therefore sent you the cablegram dated 12th instant, intimating that I could not approve the proposals; but on very carefully reconsidering the matter, and armed with the figures you quote as the market price of the Canadian guaranteed bonds bearing the same rate of interest, I am of opinion that further negotiation with the Bank ought to result in their acceptance of a fair cash price, and this I consider should not be higher than 113–114, for which 118–119 of 3½-per-cent. Stock at 96 would be required.

You will readily understand the anxiety I feel to see these negotiations completed with a result satisfactory to both the Bank and the Government, securing, as the transaction will do, the release of a substantial amount of Sinking Fund, the balance of which the law sets aside for the purpose of public works expenditure.

The Government recognises the extremely sensitive condition of Colonial bonds and stock in the London market, and how very inadvisable it would be to approach lenders at the present time; however, the Government has no intention of coming on the market for a loan, but it must be admitted that there are several lines of railway already partially open for traffic which, if continued to a more paying point, would be the means of making large tracts of suitable country available for settlement by yeoman farmers. The application of the released Sinking Funds for such a purpose and within the authority of law, must be considered a legitimate reason for my expressing the hope that your negotiations with the Bank will result successfully, but this must not be obtained at too great a cost.

I have, &c.,
J. BALLANCE.

The Agent-General for New Zealand, London.

No. 15.

The PREMIER to the AGENT-GENERAL.

The Agent-General, London. Wellington, 26th January, 1893.

* * * * *

CONTINUE negotiation with Bank of England. Think 113–14 enough for guaranteed debentures, equivalent 118–19 3½-per-cents.