

# CORRESPONDENCE

B—No. 4.

WITH THE

## BANK OF NEW ZEALAND.

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PRESENTED TO BOTH HOUSES OF THE GENERAL ASSEMBLY, BY COMMAND OF  
HIS EXCELLENCY.

---

WELLINGTON:

—  
1866.



# CORRESPONDENCE

## WITH THE

### BANK OF NEW ZEALAND.

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#### No. 1.

Copy of a Letter from the HON. WILLIAM FITZHERBERT TO THE MANAGING DIRECTOR OF THE BANK  
(748.) OF NEW ZEALAND, London.

SIR,— Treasury, Wellington, 14th October, 1865.

I have the honor to enclose you a statement of interest payable at your Bank on the 31st December, on account of the General Government of New Zealand, with draft at sixty days from your Bank here for the amount, which draft you will please to discount and apply the proceeds as above.

It will be observed that in addition to the amount required as per schedule (£28,004) there is included a sum of £223 4s. Od., which is to provide for debentures issued in the colonies, of which the particulars have not yet been received. I shall be obliged by your giving me a detailed statement of the debentures or coupons in respect of which interest is paid by you to furnish a guide for future remittances on this account.

The coupons you will please to cancel before you send them here. And also a sum of £3,600 for interest on debentures issued at Taranaki, payable in New Zealand or London, of which it is not supposed that more than £90,000 can be presented to you, as the whole amount issued was but £93,775.

I have, &c.,  
WILLIAM FITZHERBERT.

The Managing Director Bank of New Zealand, London.

#### No. 2.

Copy of a Letter from the HON. WILLIAM FITZHERBERT TO THE MANAGING DIRECTOR of the BANK  
(749.) OF NEW ZEALAND, London.

SIR,— Treasury, Wellington, 14th October, 1865.

I have the honor to forward you herewith a draft of your Bank in Wellington at fifteen days' sight for the sum of £13,500 to enable you to pay off the following debentures which fall due on the 31st December next.

W. 1—5,	issued to C. J. Pharazyn	...	...	...	£ 5,000
1—10	“ J. Joseph & Co.	...	...	...	7,000
60—61	“ do.	...	...	...	1,500
					£13,500

I have, &c.,  
WILLIAM FITZHERBERT,  
Colonial Treasurer.

The Managing Director Bank of New Zealand, London.

#### No. 3.

Copy of a Letter from the MANAGING DIRECTOR OF THE BANK OF NEW ZEALAND, LONDON, TO THE HON.  
(335.) THE COLONIAL TREASURER.

SIR,— Bank of New Zealand, London, 26th December, 1865.

I have the honor to acknowledge the due receipt of your letter of the 14th October, numbered 748, in which you forward a draft at sixty days' sight for Twenty-eight Thousand Two Hundred and Twenty-seven pounds Four shillings (£28,227 4s.), to pay the interest due in London on the 1st of January next on debentures of the General Government of New Zealand, as per particulars furnished, which shall be applied as directed. It matures on the 24th February, and shall be discounted on the 1st proximo, at the Bank of England rate on that day, the interest being charged to the Government account through our Auckland office.

I shall be careful to supply you with a statement of all coupons paid, and they shall be duly cancelled before being transmitted.

I have, &c.,  
G. LARKWORTHY,  
Managing Director.

The Hon. the Colonial Treasurer, Wellington, N.Z.

## No. 4.

Copy of a Letter from the MANAGING DIRECTOR OF THE BANK OF NEW ZEALAND, LONDON, TO THE HON.  
THE COLONIAL TREASURER.

SIR,—

Bank of New Zealand, London, 26th December, 1865.

I have the honor to acknowledge the receipt, on the 23rd instant, of your letter of the 14th of October, numbered 749, enclosing draft at fifteen days' sight for Thirteen Thousand Five Hundred Pounds (£13,500), to pay debentures due in London 31st instant for a like amount, as specified.

This draft falls due on the 10th proximo, and I shall discount it on the 31st instant, debiting you through our Head Office with interest at the Bank of England rate on that day.

The debentures shall be sent you when paid, duly cancelled.

I have, &amp;c.,

G. LARKWORTHY,

The Hon. the Colonial Treasurer, Wellington, N.Z.

Managing Director.

## No. 5.

Copy of a Letter from the MANAGING DIRECTOR OF THE BANK OF NEW ZEALAND, LONDON, TO THE HON.  
(535.) THE COLONIAL TREASURER.

SIR,—

Bank of New Zealand, London, 4th January, 1866.

I have the honor to enclose duplicate of my letter of 26th December, in reply to yours of 14th October, numbered 749.

I now beg to advise having discounted on 30th December the draft for £13,500, and that the Government account is debited through our Auckland Office for eleven days' discount at 7 per cent., £28 9s. 7s., and for foreign bill stamp for draft £6 15s., together £35 4s. 7d., as per discount slip enclosed.

I also forward herein, duly cancelled, bonds representing £13,500, particularized on schedule attached.

I have, &amp;c.,

G. LARKWORTHY,

The Hon. the Colonial Treasurer, Wellington, N.Z.

Managing Director.

## No. 6.

Copy of a Letter from the MANAGING DIRECTOR OF THE BANK OF NEW ZEALAND, LONDON, to the HON.  
THE COLONIAL TREASURER.

SIR,—

Bank of New Zealand, London, 25th January, 1866.

I have the honor to enclose duplicate of my letter of the 26th ultimo, in reply to your No. 748 of 14th October.

I now beg to advise having discounted the draft for £28,227 4s., on 1st January, at the Bank of England rate of 7 per cent, and that the Government account will be charged through our Auckland Office with fifty-four days' discount, £292 6s. 6d., and with the necessary foreign bill stamp £14 3s., together £306 9s. 6d., as per slip herein.

Since my advice of 26th November, we have paid interest as follows:—

On Treasury Bills issued in London	... ..	£1994.
“ do. “ “ Colonies	... ..	6103 7s. 8d.

£26,047 7s. 8d.

The balance of the account for interest on Treasury Bills issued in the Colonies is £4,250 15s. 6d., and a detailed statement of it shall be forwarded next month, together with all the coupons paid.

I hand you herein duplicate of my letter of 26th December, in reply to your No. 746 of 14th October, with the enclosures relative thereto.

I have, &amp;c.,

W. J. STEILE,

The Hon. the Colonial Treasurer, Wellington, N.Z.

Pro Managing Director.

## No 7.

Copy of a Letter from the ASSISTANT-TREASURER to the MANAGING DIRECTOR OF THE BANK OF NEW  
(480) ZEALAND.

SIR,—

Treasury, Wellington, 7th April, 1866.

I have the honor to acknowledge the receipt of your letter of the 25th January last, enclosing duplicates of former communications, and advising your having discounted the draft for twenty-eight thousand two hundred and twenty-seven pounds four shillings, remitted to you to provide for interest due on the 1st of that month.

It is observed that you had in your hands on the date of your letter a balance of four thousand two hundred and fifty pounds fifteen shillings and six-pence, and that the draft referred to was discounted on the 1st January at a cost of Two hundred and ninety two pounds six shillings and six-pence. Without questioning your right to discount the draft at the time you did, I am directed by the Hon. the Colonial Treasurer to observe that as the operation was effected by your own establishment, a not inconsiderable portion of the discount charged would have been saved to the Colony if the sums as required to make payments had been advanced from time to time on "overdrawn account" until the maturity of the draft.

I have, &c.,

C. T. BATKIN,

The Managing Director Bank of New Zealand, London.

For the Assistant Treasurer.

### No. 8.

Copy of a Letter from the HON. WILLIAM FITZHERBERT to the INSPECTOR OF THE BANK OF NEW ZEALAND.

SIR,— Treasury, Wellington, 28th September, 1865.

Referring to your letter No. 4-78, of the 19th instant, in which you suggest that the Bank should be allowed to charge a premium on drafts on England of  $\frac{1}{2}$  per cent. less than the current rate at the time, such drafts not to have a currency of less than thirty days, I have now the honor to say that I shall be quite prepared to accede to your proposal, providing that the terms be considered as fixed and not conditional, for I submit, in reference to paragraph 3 of the letter under notice, that any arrangements I have to make respecting funds is an entirely distinct matter from the mere act of remitting.

I have, &c.,

W. FITZHERBERT.

The Inspector Bank of New Zealand, Auckland.

### No. 9.

Copy of a Letter from the INSPECTOR OF THE BANK OF NEW ZEALAND to the HON. E. W. STAFFORD. (1471.)

SIR,— Bank of New Zealand, Wellington, 16th December, 1865.

In answer to the demands made by you, for various concessions in the management of the Government account, I have the honor to inform you :—

1st. The Bank will be willing to transfer the Colonial Treasury Account from Auckland to Wellington on the 1st proximo, it being understood that twenty-one days' notice is to be given by you, to the Manager of the Bank at Wellington, before any new business, involving advances, or any material change in the management of the account, can be entertained.

2nd. On the minimum monthly balance of the Sub-Treasurers' account in the various Provinces, the Bank will allow the Government interest at the rate of three and a half per cent. per annum.

3rd. Remittances to England and Australia will be made free of charge, providing the currency of drafts on England be not less than sixty days, and on Australia fifteen days. If drafts at a less currency be demanded, the exchange to be for drafts on England or Australia one half per cent. below the current rate, but never below par, and on Australia current rate.

As you specially desire that the loan of £40,000, made by the Bank of Victoria, at ten per cent. interest, shall be redeemed, I propose that you now give the Bank an order on the Crown Agents at fifteen days' sight (or a longer currency if you prefer it) which will be transmitted for collection on account of the Government, and, pending advice of its payment, the debt now owing the Bank of Victoria will, on 31st instant, be transferred to our account with you.

With a view to some reciprocity in this negotiation, I have the honor to request you will ratify that portion of the Bank's agreement with your predecessors, which provides for twelve months' notice before making any change in the present banking arrangements of the Government.

I have, &c.,

D. L. MURDOCH,

The Hon. E. W. Stafford Colonial Treasurer, Wellington.

Inspector.

### No. 10.

Copy of a Letter from the HON. E. W. STAFFORD to the INSPECTOR OF THE BANK OF NEW ZEALAND. (945.)

SIR,— Colonial Treasury, 18th December, 1865.

I have the honor to acknowledge the receipt of your letter of the 16th instant, referring to certain demands made by me with respect to the arrangements of the Government account, and to reply to the respective propositions made by you.

1st. As regards the transfer of the Treasury account from Auckland to Wellington, I agree to the terms specified by you, with the addition of the words, if the new business involves an advance exceeding five thousand pounds.

2nd. The second proposition would have little or no practical effect. The amount on which interest is to be allowed must either be the average balance of the month, or the mean between the highest and lowest of the daily balances, and the rate of interest should be not less than five per cent. This would still give the Bank a clear gain of two per cent., besides the many other collateral advantages which the Bank derives from holding the Government account.

3rd. The course you propose with respect to remittances would in practice be but a slight improvement on that heretofore followed, and in respect of Post Office money orders (which are required to be at sight or at three days sight) be scarcely a concession. It will be necessary that whenever remittances to England or Australia are required at a less currency than sixty days, they shall be made for one half per cent. under current rates of exchange, but in no case under par.

4th. Your proposal to transfer to the Bank of New Zealand the loan of forty thousand pounds from the Bank of Victoria will be accepted. An order on the Crown Agents at sixty days' sight will be given on the understanding that no interest is to be charged on the amount transferred after the date of the payment of the said sum by the Crown Agents to the Bank of New Zealand in London.

With respect to the last paragraph in your letter now under consideration, while I am willing to admit that the Bank of New Zealand has on various occasions conferred obligations on the Government, I cannot consent, on the part of the Government, to make any engagement for a prolonged continuation of its present banking arrangements, and under no circumstances can any arrangement be entered into which should not be terminable at any time when the Bank was unable or unwilling to meet the requirements of the Government.

I have, &c.,

E. W. STAFFORD,

The Inspector Bank of New Zealand, Wellington.

### No. 11.

Copy of a Letter from the INSPECTOR OF THE BANK OF NEW ZEALAND to the HON. the COLONIAL TREASURER.

SIR,—

Inspector's Office, Bank of New Zealand, Auckland, 3rd January, 1866.

In reply to your letter of the 18th ultimo, received by me in Wellington, and on the subject of which you requested I would consult the Board of Directors, before giving a reply, I have the honor to state that I am instructed by my Directors to inform you that, in the present financial condition of the colony, they must decline to entertain the terms specified in your letter. They authorise me to renew the offer of terms named in my letter of the 16th ultimo, accepting the modifications of clauses 1 and 4, suggested by you, viz. :—that the new business, requiring 21 days notice, to the Manager at Wellington, shall involve an advance exceeding £5,000, and that the order on the Crown Agents for £40,000 shall be at 60 days' sight, and I will be glad to learn by return mail whether these, or the terms on which the account has recently been conducted, will be most acceptable to you. In the event of your accepting the terms specified in my letter, I would beg, in elucidation of clause 3, to be allowed to state that it is understood that all ordinary business of the Government with London, is to be effected by sixty days' drafts, and referring to clause 4, I have the honor to request you will hand to the Manager at Wellington, for transmission by the outgoing mail, an order on the Crown Agents, at sixty days' sight, for £40,000.

I have, &c.,

D. L. MURDOCH.

The Honorable the Colonial Treasurer, Wellington.

### No. 12.

(32) Copy of a Letter from THE ASSISTANT TREASURER to the INSPECTOR OF THE BANK OF NEW ZEALAND, Auckland.

SIR,—

Treasury, Wellington, 12th January, 1866.

I am instructed by the Colonial Treasurer to acknowledge your letter of the 3rd instant, referring to the proposed future arrangements for the Government account with your Bank, and to say that, before the Government can come to any determination, it requires to be specifically informed as to the sense in which the terms "involve an advance exceeding (£5,000) five thousand pounds" are used and understood by you. The view of the Government is :—

1. That advance, as used here, means an excess of drawings above deposits, within a specified period, irrespective of the state of the account generally.

2. That a time should be fixed (say a calendar month) during which, if the Government require to draw more than five thousand pounds above sums deposited within that period, that then the twenty-one days' notice shall be required, and not otherwise.

I am further instructed to ask whether the Bank understands that the balances at its various branches, on which it is willing to allow interest, include all balances of public accounts, whether standing in the names of Sub-Treasurers, Collectors of Customs, Receivers of Land Revenue, or other Receivers of public money.

The Colonial Treasurer desires me to add that, as he understands from your letter that you have

arranged to take up the forty thousand pounds in debentures, now lying in the Bank of Victoria, he will furnish the Manager of the Bank in Wellington with the required order on the Crown Agents, before the departure of the out-going mail.

I have, &c.,

J. WOODWARD,

Assistant Treasurer.

The Inspector of the Bank of New Zealand, Auckland.

### No. 13.

Copy of a Letter from the ASSISTANT TREASURER to the INSPECTOR OF THE BANK OF NEW ZEALAND,  
(38) Auckland.

SIR,— Treasury, Wellington, 13th January, 1866.

Referring to my letter, No. 32, of yesterday's date, I am now instructed by the Colonial Treasurer to say that, as there is no difference of opinion between the Bank and the Government, respecting the removal of the account from Auckland to Wellington, he looks for that being done from the 1st instant, whatever other arrangements may hereafter be come to on other points.

I have, &c.,

J. WOODWARD,

Assistant Treasurer.

The Inspector of the Bank of New Zealand, Auckland.

### No. 14.

Copy of a Letter from the INSPECTOR OF THE BANK OF NEW ZEALAND, Auckland, to the HON.  
(5-17) the COLONIAL TREASURER, Wellington.

SIR,— Inspector's Office, Bank of New Zealand, Auckland, 27th January, 1866,

I have the honor to acknowledge receipt of your letter of 12th instant, No. 32, desiring information as to the sense in which the terms "involve an advance exceeding £5,000" are used, in my letter of 3rd instant.

The statement of the indebtedness of the Government to the Bank being kept at this Office, any transactions which increase that indebtedness more than £5,000, in any one month, will be regarded as necessitating twenty-one days' notice. With a view, however, to relieve you from any possible inconvenience, the Directors authorize me to extend to £10,000 in any one month, the limit of new business, which may be arranged by the local Manager, without reference to Auckland.

In reply to the second paragraph of your letter, I have the honor to inform you that as specially named in my letter of the 16th ultimo, it is not proposed to allow interest on any balances, except those of the Sub-Treasurers' accounts.

In compliance with your request, the advance of £40,000 obtained from the Bank of Victoria, on security of 8 per cent. debentures, has been liquidated.

I have, &c.,

D. L. MURDOCH,

Inspector.

The Honorable the Colonial Treasurer, Wellington.

### No. 15.

Copy of a Letter from the INSPECTOR of the BANK OF NEW ZEALAND, Auckland, to the HON. the  
(5-18) COLONIAL TREASURER, Wellington.

SIR,— Inspector's Office, Bank of New Zealand, Auckland, 27th January, 1866.

I have the honor to acknowledge receipt of your letters of the 13th and 15th instant, Nos. 38 and 47, and to inform you that the working account of the Government is now transferred to Wellington. The record of the indebtedness of the Government to the Bank being alone kept at this office. If at any time you desire to make a reduction in the amount of the overdraft, the Manager at Wellington has instructions to make the needful transfer to this office, and interest will be allowed from date of payment in Wellington; and in like manner any new advance which may be made by the Bank as referred to in my letter, No. 5-17, of this date, will be added to the amount now owing by the Government to the Bank, as shewn in the books of this office.

I have, &c.,

D. L. MURDOCH,

Inspector.

The Honorable the Colonial Treasurer, Wellington.

### No. 16.

Copy of a Letter from the ASSISTANT TREASURER to the INSPECTOR of the BANK OF NEW ZEALAND,  
(195) Auckland.

SIR,— Treasury, Wellington, 15th February, 1866.

Referring to your letter, of number and date as per margin, I am again instructed by the Colonial Treasurer to request explanations of its terms, as he is not yet sure that he understands your mean- 5-17.  
27th Jan., 1866.

ing. The difficulty which occurs to the Colonial Treasurer is this. Supposing a sum to be paid into the Bank by which the indebtedness of the Government would be diminished to the extent of such amount, would the drawing of such a sum (or a smaller one) a week after be regarded as increasing the indebtedness of the Government? He assumes that you do not mean this, but as you do not adopt similar terms to those suggested in my letter, No. 32, of the 12th ultimo, the excess of drawings over deposits within a given period, he requests to be more specifically informed as to your instructions, and submits that it would be better to name a sum, say the debit balance at Auckland, on the 31st January, beyond which any advances made by the Bank would be regarded as an increase of indebtedness until such amount (or basis) should be altered by directions from you.

I have, &c.,

J. WOODWARD,  
Assistant Treasurer.

The Inspector of the Bank of New Zealand, Auckland.

### No. 17.

Copy of a Letter from the ASSISTANT TREASURER to the INSPECTOR of the BANK OF NEW ZEALAND, (196)  
Auckland.

SIR,—

Treasury, Wellington, 15th February, 1866.

5-18.  
27th Jan., 1866.

In your letter, noted in the margin, you say, "if any time you desire to make a reduction in the amount of over-draft, the Manager at Wellington has instructions to make the necessary transfer to this office, and interest will be allowed from date of payment in Wellington." The Colonial Treasurer now directs me to call your attention to the above, asking whether any instructions have been given as to what should be done in the case of amounts being paid to the Bank in London, and, if so, what the nature of those instructions are.

I have, &c.,

J. WOODWARD,

The Inspector of the Bank of New Zealand, Auckland.

Assistant Treasurer.

### No. 18.

Copy of a Letter from the ASSISTANT TREASURER to the INSPECTOR of the BANK OF NEW ZEALAND, (197)  
Auckland.

SIR,—

Treasury, Wellington, 15th February, 1866.

5-18.  
27th Jan., 1866.

Referring again to your letter, noted in the margin, in which you say that "the working account of the Government is now transferred to Wellington," I am instructed by the Colonial Treasurer to express his great disappointment at learning from your Manager here that he has not received any instructions to this effect, in consequence of which the Government account on Monday last presented the anomaly of a large debit balance at Auckland, wholly unaffected by the fact that upwards of twenty thousand pounds was standing to the credit of the Government in Wellington. The Colonial Treasurer cannot believe that he has so misunderstood all the verbal and written communications that have taken place with you, as to make it possible that this can have been your meaning, a conviction that is strengthened by observing that in your letter, No. 5-17, of the 27th ultimo, you state distinctly, in answer to a question, that it is not proposed to allow interest on any balances except those of the Sub-Treasurers' accounts. His constant and unvarying proposition has been that the Bank account should be regarded as one, and as you have not fully conceded this in the case of Sub-Treasurers, if it be not arranged that the Colonial Treasurer's account shall be concentrated in Wellington it is difficult to perceive what the result of all the recent negotiations has been.

I have to add that the Colonial Treasurer did not fail to observe that you said it was intended to keep the account of the indebtedness of the Government in Auckland, but he sees nothing in this inconsistent with keeping the working account of the Government here, and trusts that the omission to send the necessary instructions to the Manager in Wellington has been merely an inadvertence.

I have, &c.,

J. WOODWARD,

The Inspector of the Bank of New Zealand, Auckland.

Assistant Treasurer.

### No. 19.

Copy of Letter from the INSPECTOR of the BANK OF NEW ZEALAND to the HON. the COLONIAL  
5-23  
TREASURER.

SIR,—

Inspector's Office, Bank of New Zealand, Auckland, 23rd February, 1866.

I have the honor to acknowledge the receipt of your letters, Nos. 195, 196, and 197, dated 15th instant, to which I regret I am unable to reply by this mail, not having had an opportunity of consulting my Directors since receipt of them.

I have, &c.,

D. L. MURDOCH,

The Hon. the Colonial Treasurer, Wellington.

Inspector.

## No. 20.

Copy of a Letter from the INSPECTOR of the BANK OF NEW ZEALAND to the HON. the  
(525.) COLONIAL TREASURER.

SIR,— Inspector's Office, Bank of New Zealand, Auckland, February 24, 1866.

I have now the honor to reply to your letters, Nos. 195, 196, and 197, of 15th instant, receipt of which I have previously acknowledged.

2. No. 195.—I regret to find that my meaning as to what would be regarded as an increase of the indebtedness of the Government was not made sufficiently plain in my letter of 27th ultimo. That meaning will, I trust, be made apparent by paragraph 4 of this letter. From your letter now under reply, I gather that, at Wellington, you may have a credit balance, over which you desire to retain power to operate for your current necessities; and this balance you appear to think should have interest allowed upon it, equal to that charged by the Bank upon the account of the indebtedness of the Government, representing as the latter does, an over-draft of a comparatively permanent character. In other words, you stipulate for seven per cent. on a current account balance. It will be at once apparent to you that such a rate cannot be afforded by the Bank; but for any such credit balance in the working account of the Treasurer, my Directors are willing to allow the same rate as on Sub-Treasurer's balances.

3. No. 196.—In reply to this letter, I have the honor to refer you to the agreement of 27th September, 1864, in clause 1 of which it is provided that advances to the Government shall bear interest till receipt of advice here that such advances have been repaid in London.

4. No. 197.—Referring to the subject of this letter, it appeared to my Board that the working account of the Government was that in which were detailed the general operations of the Treasurer, and not that which represented the mere amount of advances made by the Bank to the Government, or any transactions in reduction thereof, and which it was intended should be kept at this office. This working account, as understood by us, was transferred to Wellington; but as it is now apparent that you desire the advance account to be also there, I will by next mail transfer the balance, as it then may appear on our books, to Wellington Branch. This account it is intended to keep distinct from the other, under the designation of "Treasury Advance Account;" and at any time when the state of the working account will admit of a transfer being made to the credit of "Advance Account," such transfer will be regarded as a permanent reduction of the indebtedness of the Government, and over which the Treasurer has lost control. Should the funds at credit of your working account not be sufficient for current liabilities, the Manager at Wellington is authorized to allow the balance of the advance account to be increased to the amount of £10,000 in any one month without reference to this office.

I have, &c.,

D. L. MURDOCH,

Inspector.

The Honorable the Colonial Treasurer, Wellington.

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 No. 22.

Copy of a Letter from the HON. E. W. STAFFORD to the INSPECTOR of the BANK OF  
(507) NEW ZEALAND, Auckland.

SIR,— Treasury, Wellington, 12th April, 1866.

With reference to the correspondence between the Treasury and the Bank of New Zealand, relative to the Government account with the Bank, I have to express my disappointment that up to the present time the Bank has not acceded to the proposals made by me, with the object of altering the position of that account.

The counter proposals made by the Bank, when summarized, merely amount to the Bank undertaking—Firstly to remit monies for the Government, at par, to London, by Bills at 60 days sight, and to Australia, by Bills at 15 days sight, when Bills at shorter dates are required half per cent. under current Bank rates to be charged; and secondly to allow three-and-a-half per cent. interest on the minimum monthly credit balances of the accounts of the respective Sub-Treasurers, and of the Colonial Treasurer at Wellington.

The Government cannot feel satisfied with such a position, and especially with the mode of treating the credit balances of the Government. These balances are at all times very considerable, occasionally amounting to fifty thousand pounds, and are, virtually, for all operations, the account of the Colonial Treasurer of New Zealand, in like manner as the operations of the branches of the Bank are the operations of the Bank as a whole. It is impossible, therefore, to understand on what principle seven per cent. interest should be charged by the Bank on the debit Balance of the Government, at one Branch, while three-and-a-half per cent. only is allowed on its credit balances at other branches of the same Bank.

The inconsistency of such a system is transparent, in the proposal of the Bank to allow but three-and-a-half per cent. on the credit balance of the Colonial Treasurer, or what the Bank chooses to term "his working account," while seven per cent. is charged against the debit balance of what the Bank now proposes to call the "Treasury Advance Account," but which is in fact one and the same account, and which was always so treated to the time when the Colonial Treasury was removed from Auckland, the Treasury Account being up to that time one account, charged with interest from day to day, as the overdraft was reduced or increased.

The Government has also to complain that, while on the 16th December last, the Bank professed to transfer the Colonial Treasury account from Auckland to Wellington, no such transfer has been effected. The account of the Colonial Treasurer at Wellington being in exactly the same position as before the

proposed transfer was nominally agreed to,—that is to say,—it continues to be treated as it always has been, since its removal to Wellington, as if it were a Sub-Treasury account.

I have alluded to a few of the many instances which might properly be adduced of the unsatisfactory nature of the Banking arrangements of the Government with the Bank of New Zealand, but as I do not desire at present to prolong this correspondence, I now accept the proposal of the Bank.

In accordance with the understanding when this correspondence was initiated, the proposals of the Bank will be reckoned as having effect from the date of your letter on the 16th December, in which they were conveyed.

I have, &c.,

E. W. STAFFORD,  
Colonial Treasurer.

The Inspector of the Bank of New Zealand, Auckland.

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No. 23.

Copy of a Letter from the INSPECTOR of the BANK OF NEW ZEALAND to the HON. the  
COLONIAL TREASURER.

SIR,—

Inspector's Office, Bank of New Zealand, Auckland, 21st April, 1866.

I have the honor to acknowledge receipt of your letter of 13th instant, No. 507, in which you express your disappointment that the Bank has not acceded to your proposals, and, after remarking on some of the more objectionable parts of the existing arrangements, you accept the proposal of the Bank, not desiring at present to prolong the correspondence, and intimate that they will be reckoned as having effect from 16th December, the date of my letter in which they were conveyed.

It is a matter of regret to the Directors that their efforts to answer the demands of the Government, and on terms which they believe will contrast favourably with those on which neighbouring Governments obtain advances, have not met your approval; and that you fail to see the justice of the principle on which they decline to allow interest on casual credit balances equal to that charged for specific advances. I trust, on re-consideration, the proposals of the Bank will be deemed just and reasonable. The Directors, in absence of your acceptance of their proposals, had not reckoned on your claiming that they should take effect from 16th December, but from the date on which you might accept them. I am instructed, however, to respond to your desire by conceding the point.

I have, &c.,

D. L. MURDOCH,  
Inspector.

The Honorable the Colonial Treasurer, Wellington.

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