

RETURN

SHOWING THE

TERMS ON WHICH THE BANKING BUSINESS OF THE
COLONIAL GOVERNMENT IS DONE

BY THE BANK OF NEW ZEALAND.

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

WELLINGTON.

—
1871.

TERMS ON WHICH THE BANKING BUSINESS OF THE COLONIAL GOVERNMENT IS DONE BY THE BANK OF NEW ZEALAND.

Respecting Deposits.

INTEREST is credited on the daily balances of the Public Account in Wellington at the rate of 4 per cent. when the balance is under £50,000, and 3 per cent. when above that amount. Paper A, ¶ 4.
Paper B.

Respecting Advances.

Interest is charged on debit balance at the rate of 6 per cent. when such balance is less than £50,000, and 7 per cent. when above that sum, with proviso that if the discount rate of the Bank of England shall continue for two months in excess of 6 per cent., then an increase in the above rates shall be allowed for the whole period during which such excess is maintained, equal to the difference between 6 per cent. and the Bank of England rates. Paper A, ¶ 1 to
3.
Paper B.

Respecting Remittances.

All remittances on Government account between the Provinces of New Zealand are made at par. All remittances between New Zealand and the Australian Colonies are made by draft at fifteen days at par. Remittances at shorter dates at one-half the current rates charged to the public. All remittances to London (other than for interest and sinking fund) are made by draft at sixty days at par; remittances at shorter dates at $\frac{1}{2}$ per cent. below the current rate, but never below par. Paper A, ¶ 5 to
7.

Remittances to London for interest and sinking fund are made on the following terms:— The Bank undertakes to find the money in London, in amounts and on dates specified in a Schedule furnished by the Treasury, on condition that the money due in London in a given month is paid to the Bank in Wellington on the first day of the third month next preceding the time for payment, with a premium of $\frac{1}{2}$ per cent., *i.e.*, that all the interest payable in London on the 1st and 15th October (for example) is paid to the Bank in Wellington on the 1st July. It is further provided that if the Government wishes to defer the payment for another month (that is, in the case cited, from the 1st July to the 1st August), it can do so by paying an extra premium of $\frac{1}{2}$ per cent. Papers C to L.

N.B.—There is also an understanding with the Bank that if a mail from New Zealand, with instructions to pay interest, &c., should not have arrived in London (through accident or other cause) when the interest becomes payable, the Bank will then pay it without advice for the honor of the Colony.

General Provisions.

The Bank is to be the bankers for the Government until the arrangement be determined by six months' previous notice. Paper A, ¶ 8.
Paper B.

All balances belonging to the Government are to be kept at the Bank of New Zealand.

Papers M and N.

Treasury, 25th September, 1871.

J. WOODWARD,
Assistant Treasurer.

A.

Mr. T. RUSSELL to the Hon. W. FITZHERBERT.

SIR,—

Bank of New Zealand, Christchurch, 29th March, 1867.

Referring to the recent interview I have had with you, and to the correspondence that has already passed between this Bank and yourself, relative to the conduct of the Government Account by the Bank, and also taking into consideration the altered and improved position in which the Government Account will shortly be placed by the sale of the Treasury Bills for £150,000, I have now the honor to submit the following terms for your approval, as the terms upon which the Bank of New Zealand proposes to manage the banking business of the Government:—

1. That the charge to be made by the Bank for interest on any debit balance of the Government not exceeding £50,000, shall be at the rate of six pounds per centum per annum.

2. That in the event of such debit balance exceeding £50,000, the rate of interest shall be seven pounds per centum per annum on the whole amount while such excess exists.

3. That in the event of the Bank of England discount rate continuing for two months in excess of 6 per cent., that an increase of the rates provided by clauses 1 and 2 shall be allowed the Bank for the

whole period such increase has been maintained, equal to the difference between 6 per cent. and the Bank of England rate.

4. That interest shall be credited to the Government upon the average balance of the Government Account kept at Wellington, known as the "Public Account," at the rate of four pounds per centum per annum so long as that average shall be under £50,000; and when above that amount, the interest shall be credited upon the whole amount at the rate of three pounds per centum per annum.

5. That all remittances between the Provinces of New Zealand on Government account be made at par.

6. That all remittances between New Zealand and the adjoining Colonies be made by fifteen days' drafts at par; by drafts at shorter currency, at one-half the ordinary drawing rate charged to the public.

7. That all remittances to London be made by sixty days' bills at par; by drafts at shorter currency, at $\frac{1}{2}$ per cent. below the current rate, but never below par.

8. That the Bank of New Zealand shall continue bankers for the General Government until the present proposed arrangement be determined by six months' previous notice.

9. That all past arrangements shall be considered rescinded from the date of the acceptance of this proposal, except for such transactions under existing agreements as have not been matured at such date.

In proposing the foregoing terms, the Directors have made their proposal upon such a scale as to leave to the Bank only a very moderate margin of profit; and the Directors of the Bank refer with confidence to the past dealings of the Bank with the Government as a guarantee that, at all times, the requirements of the Government will be met with the utmost liberality that prudent management on the part of the Bank will allow.

The Hon. the Colonial Treasurer,
Wellington.

I have, &c.,
THOMAS RUSSELL,
For the Directors of the Bank of New Zealand.

B.

The Hon. W. FITZHERBERT to Mr. T. RUSSELL.

SIR,—

The Treasury, Wellington, 1st May, 1867.

In reply to your letter of 29th March ultimo, submitting certain terms for my approval as the terms upon which the Bank of New Zealand proposes to manage the banking business of the Government, I have the honor to state, for the information of the Directors of the Bank of New Zealand, that I have submitted these proposals to my colleagues in Cabinet, and that I am authorized to inform you that the terms as proposed are regarded by the Government as just and liberal, and that I accordingly, on the part of the Government, accept them without any modification, as from this date.

Thomas Russell, Esq., Bank of New Zealand, Auckland.

I have, &c.,
WILLIAM FITZHERBERT,

C.

The Hon. J. HALL to the MANAGER, Bank of New Zealand.

SIR,—

Treasury, Wellington, 12th June, 1868.

I have the honor to submit for your consideration a proposition with respect to the supply of funds by your Bank in London for the payment of interest and sinking fund on account of the various loans of the Colony payable there. The enclosed Schedule will show the amounts that require to be provided, the days on which the respective payments have to be made, and the parties to whom the money is to be paid.

The Government wishes that the Bank should provide these sums on the days on which they are required without any further notice being given, and I therefore request that I may be informed of the terms on which the Bank would undertake to do this.

In conversation with the Inspector of the Bank of New Zealand, I suggested that the Bank should furnish a Schedule similar to that now enclosed, showing the days on which it would require to be placed in funds to meet these payments, and that, prior to those days, the Manager of the Bank in Wellington should apply to the Treasury for a Comptroller's Order authorizing the transfer of the required sum from the Public Account to the Bank, including the charge for remittance according to the scale at present in force. I understood from Mr. Murdoch that the Bank would be willing to enter into such an arrangement when the terms should have been mutually agreed to.

As the first payment that has to be provided for requires to be made on the 1st November, I hope to receive your answer in such time as to cause that payment to come under the proposed arrangement.

The Manager, Bank of New Zealand, Wellington.

I have, &c.,
JOHN HALL.

Enclosure in C.

SCHEDULE OF INTEREST AND SINKING FUNDS payable in London.

When Payable in each Year.	Purpose.	To whom Bank is to Pay the Money.	Amounts.
			£
1st January	Interest ...	Lords of H.M. Treasury	8,500
1st "	Sinking Fund ...	"	4,250
15th "	Interest ...	Crown Agents	25,000
15th "	Sinking Fund ...	"	5,000
15th March	Interest ...	"	15,000
15th "	Sinking Fund ...	"	5,000
1st April	Interest ...	Lords of H.M. Treasury	1,500
1st "	Sinking Fund ...	"	750
1st "	Interest ...	Bank of New Zealand	15,000
1st May	Interest ...	Crown Agents	10,000
1st "	Sinking Fund ...	"	2,500
15th June	Interest ...	"	30,000
15th "	Sinking Fund ...	"	10,000
1st July	Interest ...	Lords of H.M. Treasury	8,500
1st "	Sinking Fund ...	"	4,250
15th "	Interest ...	Crown Agents	25,000
15th "	Sinking Fund ...	"	5,000
15th September	Interest ...	"	15,000
15th "	Sinking Fund ...	"	5,000
1st October	Interest ...	Lords of H.M. Treasury	1,500
1st "	Sinking Fund ...	"	750
1st "	Interest ...	Bank of New Zealand	15,000
1st November	Interest ...	Crown Agents	10,000
1st "	Sinking Fund ...	"	2,500
15th December	Interest ...	"	30,000
15th "	Sinking Fund ...	"	10,000
			£265,000

Treasury, Wellington, 12th June, 1868.

D.

Mr. T. M. STEWART to the Hon. J. HALL.

SIR,—

Bank of New Zealand, Wellington, 24th June, 1868.

I have the honor to acknowledge receipt of your letter of 12th inst. proposing that the Bank should provide funds in London for the due payment of interest and sinking fund on account of the various loans of the Colony, according to the dates specified in the accompanying Schedule.

In reply, I have to state, on behalf of the Bank, that we shall be glad to meet the views of the Government in this matter, and will arrange for the transmission of funds to meet the payment due on 1st November, subject to the terms hereafter to be agreed upon.

As the settlement of these terms will require careful consideration, I am under the necessity of consulting with the Inspector of the Bank before submitting any definite proposal to you, but I trust that, before the departure of the mail on the 8th proximo, I shall be able to lay before you a statement of the different dates on which it would be necessary to place the Bank in funds here to meet the payments in London, and the terms on which we can undertake to make these remittances.

I have, &c.,

The Hon. the Colonial Treasurer,
Wellington.T. M. STEWART,
Acting Manager.

E.

Mr. T. M. STEWART to the Hon. J. HALL.

SIR,—

Bank of New Zealand, Wellington, 8th July, 1868.

Referring to my letter of 24th ultimo, in reply to yours of 12th idem, as to the terms on which the Bank will be prepared to provide funds in London for the due payment of interest and sinking fund on account of the various loans of the Colony, I have the honor to inform you that the Bank will undertake the responsibility of forwarding the necessary remittances, provided the Government agree to the following modification of the arrangement hitherto subsisting in regard to sixty days' bills, namely, that in future a premium of $\frac{1}{2}$ per cent. will be charged on remittances made at that currency. Such a modification it is hoped will appear reasonable when it is remembered that, at the time the existing terms were agreed upon (in March, 1867), the amount to be provided in London was not more than one-third of what has now to be remitted, and since that date the selling rate to the public has uniformly been $1\frac{1}{2}$ premium.

As desired, a statement is enclosed of the dates on which the several amounts should be paid here to secure their transmission by sixty days' drafts in sufficient time to mature in London as the payments become due.

I have, &c.,

The Hon. the Colonial Treasurer,
Wellington.T. M. STEWART,
Acting Manager.

Enclosure in E.

Departure of Mail from Wellington.	Arrival of Mail in London.	Maturity of a 60 days' Draft.	When Payable.	Purpose.	To whom Moneys Payable.	Amount.
						£
January 8 ...	Feb. 27	May 1	May 1	Interest ...	Crown Agents ...	10,000
				Sinking Fund	"	2,500
February 8 ...	Mar. 27	May 29	June 15	Interest ...	"	30,000
				Sinking Fund	"	10,000
March 8 ...	April 27	June 29	July 1	Interest ...	H.M. Treasury	8,500
				Sinking Fund	"	4,250
"	"	"	July 15	Interest ...	Crown Agents ...	25,000
				Sinking Fund	"	5,000
May 8 ...	June 27	Aug. 29	Sep. 15	Interest ...	"	15,000
				Sinking Fund	"	5,000
June 8 ...	July 27	Sep. 28	Oct. 10	Interest ...	H.M. Treasury	1,500
				Sinking Fund	"	750
				Interest ...	Bank of N.Z. ...	15,000
July 8 "	Aug. 27	Oct. 29	Nov. 1	Interest ...	Crown Agents ...	10,000
				Sinking Fund	"	2,500
August 8 ...	Sep. 27	Nov. 29	Dec. 15	Interest ...	"	30,000
				Sinking Fund	"	10,000
September 8 ...	Oct. 27	Dec. 29	Jan. 1	Interest ...	H.M. Treasury	8,500
				Sinking Fund	"	4,250
"	"	"	"	Interest ...	Crown Agents ...	25,000
				Sinking Fund	"	5,000
November 8 ...	Dec. 27	Feb. 28	Mar. 15	Interest ...	"	15,000
				Sinking Fund	"	5,000
December 8 ...	Jan. 27	Mar. 31	April 1	Interest ...	H.M. Treasury	1,500
				Sinking Fund	"	750
"	"	"	"	Interest ...	Bank of N.Z. ...	15,000
						£265,000

F.

The Hon. J. HALL to Mr. T. M. STEWART.

SIR,—

Treasury, Wellington, 8th July, 1868.

I have the honor to acknowledge your letter of this day, communicating the terms on which the Bank will be prepared to carry out the arrangement respecting payment of interest and sinking fund, in London, proposed in my letter (No. 41*) of 12th ultimo.

In answer, I have to state that I do not see my way to agreeing to these terms as a permanent arrangement without giving the matter further consideration than time and circumstances now admit of. As a temporary arrangement, however, I am prepared to agree to this proposal, on the understanding that it will be open to reconsideration hereafter.

I shall be glad of the arrangement dating on and from to-day, a remittance being required by this days' post to meet the interest due on the 1st November next.

The Manager, Bank of New Zealand, Wellington.

I have, &c.,
JOHN HALL.

G.

The Hon. E. W. STAFFORD to Mr. T. M. STEWART.

SIR,—

Treasury, 5th December, 1868.

I have the honor to bring under your notice the alteration which has been and is being effected by the operations, under the authority of the Consolidated Loans Act, in respect of payments to be made in London on account of interest and sinking fund on the loans of the Colony.

2. The result of these operations will materially alter the dates of payment and the amount to be paid, for which it is necessary that arrangements should now be made. It is not practicable yet to state with precision what these amounts will eventually be, but, by the last advice received from London, I learn that the next quarterly payment of interest, &c., on the consolidated loans would amount to £59,700, and if the conversion of whole sum of £7,000,000 mentioned in the Act is completely effected, the quarterly payments to be made may reach a maximum of £105,000,—equal to £420,000 per annum. These payments, I need scarcely observe, will not be in addition to the £265,000 you have already undertaken to provide for, but will take the place of £210,000 of that sum and of the sums which you are now paying for the Provinces of Canterbury and Otago.

3. In connection with the subject of the sums which may require to be provided to meet these payments, I would call your attention to the greatly improved state of the Public Account with your Bank, and to the large balances that are and have been lying there, and which on this day amount in the Bank at Wellington to £112,483 9s. 11d. in addition to the money that has been paid in to the various branches of the Bank since the 23rd ultimo.

4. In view of all the circumstances, I now propose that the Bank should undertake to make the payments as they will be required, according to a Schedule to be furnished by the Treasury, on the Government paying the several sums to the Bank in Wellington three months before the date of payment in London, that is to say, that for a sum due in London on the 15th April, the money shall be paid to the Bank in Wellington on the 15th January.

I have to request the favour of an early reply.

The Manager, Bank of New Zealand, Wellington.

I have, &c.,
E. W. STAFFORD.

H.

Mr. T. M. STEWART to the Hon. the COLONIAL TREASURER.

SIR,—

Bank of New Zealand, Wellington, 16th December, 1868.

I have the honor to acknowledge the receipt of your letter of the 5th instant, intimating the alteration in the payments to be made in London on account of interest and sinking fund on the consolidated loans of the Colony, and proposing a modification of the terms on which the Bank shall in future transmit the money for these purposes to the Crown Agents.

2. Under our present agreement, the Bank makes these remittances by sixty days' drafts, at a uniform rate throughout the year of $\frac{1}{2}$ per cent. premium.

Your proposal, that we should undertake to make these payments "on the Government paying to the Bank in Wellington the several sums three months before they fall due in London," is equivalent to a request for a reduction of $\frac{1}{4}$ per cent. in the rate of premium; for by this arrangement the Government would retain the use of the money for a month longer, and the Bank would have to pay $\frac{1}{4}$ per cent. on the amount in interest during that time.

3. A slight consideration of the cost to the Bank of providing cover for so large an amount, would show that such an arrangement must be the reverse of profitable. The payments are of such a magnitude that, in order to meet them, recourse must frequently be had to the Australian market for British exchange; and when it is considered that the rate ruling there at the present time (the most favourable in the course of the year) is $\frac{1}{2}$ per cent. premium for sixty days' drafts, I trust it may be evident that the Bank has dealt liberally with the Government in undertaking so large a transaction at what must be regarded as the minimum rate in Australia. Exceptional cases arise, doubtless, where exchange can be had on lower terms; but I am satisfied that our existing arrangement will bear a favourable contrast with that subsisting between the Governments of the neighbouring Colonies and their bankers, although the facilities available there for operations of this nature on the London market are so much greater than New Zealand can present.

4. I do not for a moment overlook the considerations to which you draw my attention in your paragraph No. 3. It is a source of much satisfaction to the Directors of the Bank that the Government Account is in so healthy a condition. For some years past they had to contemplate, not without anxiety, a very different state of affairs; and since, during that period, they had never taken advantage of the necessities of the Government, they now trust to be met in the same liberal spirit, so long as the terms they offer are reasonable and not inconsistent with advantage to the interests of both the Colony and the Bank.

5. Since the Government desire, therefore, to make their remittances thirty days later than under existing arrangements, the Bank will undertake to do so at a premium of $\frac{3}{4}$ per cent., which virtually amounts to $\frac{1}{2}$ per cent. premium at sixty days' sight. As the Government will have the use of the money for one month longer than formerly, they will gain in interest the additional charge of $\frac{1}{4}$ per cent. on the shorter term, and I may add that if at any time it may be an object to pay the interest in Wellington within sixty days of the due date in London, the Bank would agree to the wishes of the Government in this respect, in consideration of a proportionate increase in the premium. I need not point out to you that this concession involves a great deal more than appears at first sight. The arrangements of the Bank to pay the interest must be made some time prior to the payment of the amount in Wellington, and the credit of the Colony would be protected from any injury that might arise through interruption in the course of post to London, or any other contingency which might interfere with the due transmission of funds.

6. In conjunction with this proposal, I would state that, should the Government require to make a further issue of Treasury Bills under the Act of 1868, the Bank would be prepared to modify the terms on which they purchased the last issue of £12,000 (twelve thousand pounds) from 4 $\frac{1}{2}$ d. to 4d. per cent. per diem, being a reduction of 1 per cent.; that is to say, we would take up the balance of the sum authorized by the Act *at par* if issued to bear interest at 6 per cent.

7. As a loan of this character is purely of a temporary nature, the bills are marketable only to a limited extent in the Colony, on account of their limited duration. They therefore stand on a different footing to debentures of a longer currency; and, looking at the quotations of New Zealand Consols in London, where money is so immeasurably cheaper at present than in the colonies, I trust you will recognize, in this offer from the Bank, the evidence of our desire to transact the business of the Government on the most equitable terms.

The Hon. the Colonial Treasurer,
Wellington.

I have, &c.,
T. M. STEWART,
Manager.

I.

The Hon. E. W. STAFFORD to Mr. T. M. STEWART.

SIR,—

Treasury, Wellington, 19th December, 1868.

I have the honor to acknowledge your letter of 16th instant, stating the terms on which the Bank will undertake to place funds in London for the payment of interest and sinking fund on account of the Government.

Under the circumstances referred to by you, the Government is prepared to accept the terms proposed in the fifth paragraph of your letter, with this modification, that the premium on remittances shall be $\frac{1}{2}$ instead of $\frac{3}{4}$ per cent., as you have suggested.

The proposal to purchase Treasury Bills at par, with interest at the rate of 4d. per diem instead of 4½d. at which the last were taken, is a fair one, and one that will receive favourable consideration; but the Government does not consider that the price at which Treasury Bills may be sold at the Bank as having any necessary relation to the question brought under notice in my letter of the 5th instant, but as a separate transaction, to be arranged for from time to time as Treasury Bills may require to be issued.

T. M. Stewart, Esq.,
Manager, Bank of New Zealand, Wellington.

I have, &c.,
E. W. STAFFORD.

J.

Mr. T. M. STEWART to the Hon. the COLONIAL TREASURER.

SIR,— Bank of New Zealand, Wellington, 22nd December, 1868.

I have the honor to acknowledge the receipt of your letter of 19th inst., in which you accept the terms proposed by the Bank for the transmission of interest and sinking fund to London, provided $\frac{1}{2}$ per cent. is substituted for $\frac{3}{4}$ per cent. premium as our charge. To this modification I am willing, on behalf of the Bank, to give my assent.

2. The first payment, therefore, to be made under this arrangement is due in London on 15th April (as I learn from your letter of 5th instant), and must be advised by the mail leaving Wellington on 8th January, on which date I shall be glad to receive from you the usual authority for the transfer of the amount. Should any interruption take place in the Panama mail service, it will be necessary to take advantage of the most favourable opportunity of communicating *via* Suez, so as to secure the timely arrival of instructions to meet the payments at maturity.

3. With regard to the latter part of your letter, referring to Treasury Bills, while I freely admit that the price at which they may be sold has no necessary relation to the question more especially under notice, yet it must be evident that the issue of such documents, as well as the Government remittances to London, has a very important bearing upon the Public Account, and that, while the Bank frequently makes concessions to the Government which could not be made to the public, we are only enabled to do so by taking into consideration the general advantages to be gained by transacting the Government business in its different branches.

The Hon. the Colonial Treasurer,
Wellington.

I have, &c.,
T. M. STEWART,
Manager.

K.

Mr. T. M. STEWART to the Hon. the COLONIAL TREASURER.

SIR,— Bank of New Zealand, Wellington, 6th January, 1869.

Referring to the correspondence which has recently passed between the Government and the Bank, regarding the transmission of interest and sinking fund to London, I beg to state that the cessation of the Panama mail service has so materially altered the conditions under which the Bank undertook to make these remittances, that, in order to carry out the spirit of the agreement on an equitable basis, some modification of the terms has become necessary.

The experience of the past two years has clearly shown that communication between Wellington and London *via* Panama could be relied on within fifty days. Under the most favourable circumstances, we cannot expect to communicate by the Suez route in less than sixty days; and for the present, while there is no regularly subsidized steamer to Australia, we cannot have intercourse with London under sixty-five days. I need not point out to you that the time during which shipments of gold are *in transitu* between the two points is an important element in determining the cost of exchange, and tells materially against the Suez route when large remittances have to be made. Another item of consequence is the difference of freight in the transmission of bullion, amounting to $\frac{1}{2}$ per cent. more *via* Melbourne and Suez than *via* Panama.

The payments to be made by the Government in London mature on the 1st and 15th of the month, and your proposal is that the money should be paid in Wellington three months prior to the due date.

The alteration which I would respectfully suggest is, that the whole amount for each month be paid here on the 1st. This would give an advantage to the Bank of fourteen days on each payment due on 15th, while those payable on 1st would be transmitted on your own terms. It will be evident that this change in the terms is by no means proportionate to the unfavourable character of the conditions under which the Bank has now to conduct the Government exchange operations with London; and, taking all the circumstances of the case into consideration, I trust you will perceive that the modification I propose is not unreasonable. One recommendation, not to be overlooked, is, that it would greatly simplify the settling of the payments, and dispenses with any reference to the particular day on which the English mail may close in Wellington.

I have, &c.,
T. M. STEWART,
Acting Manager.

The Hon. the Colonial Treasurer,
Wellington.

L.

MR. J. WOODWARD to MR. T. M. STEWART.

Treasury, Wellington, 11th January, 1869.

SIR,—

I am instructed by the Colonial Treasurer to acknowledge your letter of the 6th instant, and to inform you that your proposal contained therein is accepted, as being consistent with the spirit of the previous arrangement, subject only to this modification—that, should a mail service *via* Panama be re-established, the payments are to be made to the Bank in Wellington three months previous to the date at which interest and sinking fund is due in London.

The amount payable in London on the 15th April will be paid to you (in this instance) on the 15th instant.

I have, &c.,
J. WOODWARD,
Assistant Treasurer.

T. M. Stewart, Esq., Manager, Bank of New Zealand,
Wellington.

M.

MR. T. RUSSELL to the HON. the COLONIAL TREASURER.

Bank of New Zealand, Christchurch, 5th August, 1867.

SIR,—

Referring to the arrangements existing between this Bank and the Government of New Zealand for the conduct of the banking business of the Government, I have the honor to direct your attention to the fact that, from papers recently printed, it appears that balances of funds remaining in the hands of the Crown Agents, belonging to the Government of this Colony, have been kept by the Crown Agents in other banks in London, and have not been deposited with the Bank of New Zealand there. I refer, by way of example, to an item remitted for investment on account of sinking fund, which it appears remained in the hands of the London Joint Stock Bank.

Looking to the spirit of the agreement existing between the Government and this Bank, and seeing that it is a part of the business of the Bank of New Zealand to keep current and deposit accounts for its customers in London, I am sure you will agree with me that this Bank should have the benefit of the deposit of all balances of New Zealand Government funds, not only in New Zealand but in London.

I therefore respectfully submit for your consideration my request that the Crown Agents may be instructed to keep all balances under their control belonging to the Government of New Zealand with the Bank of New Zealand in London.

The Hon. the Colonial Treasurer,
Wellington.

I have, &c.,
THOS. RUSSELL,
For the Directors of the Bank of New Zealand.

N.

The Hon. J. HALL to MR. T. RUSSELL.

Treasury, Wellington, 16th September, 1867.

SIR,—

I have the honor to acknowledge the receipt of your letter of 5th ultimo, in which, for the reasons set forth, you request that the Crown Agents may be instructed to keep all balances under their control, belonging to the Government of New Zealand, with the Bank of New Zealand in London.

The Government acknowledge the fairness of your request, and will, by the outgoing mail, have the necessary instructions conveyed to the Crown Agents accordingly, it being understood that the Bank of New Zealand will allow the terms for Government balances in London that are allowed from time to time by the other banks.

Thos. Russell, Esq., Wellington.

I have, &c.,
JOHN HALL.

