

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 $\frac{2}{4}$ 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 to 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, from 4 $\frac{3}{4}$ 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 from 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.

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

The Hon. the Colonial Treasurer, Wellington.

The Hon. E. W. STAFFORD to the MANAGER, Bank of New Zealand.

SIR,—

Treasury, 19th December, 1868.

I have the honor to acknowledge your letter of the 16th instant, stating the terms on which the Bank would undertake to place funds in London for the payment of interest and sinking fund on account of this 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 $\frac{1}{4}$ instead of $\frac{2}{4}$ 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 4 $\frac{3}{4}$ d., at which the last were taken, is a fair one, and one that will receive favourable consideration; but the Government does not consider the price at which Treasury bills may be sold to 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 from time to time as Treasury bills may require to be issued.

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

The Manager, Bank of New Zealand, Wellington.

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

SIR,—

Wellington, 22nd December, 1868.

I have the honor to acknowledge receipt of your letter of 19th instant, 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 $\frac{2}{4}$ per cent. premium as our charge.

2. To this modification I am willing, on behalf of the Bank, to give my assent. The first payment, therefore, to be made under this arrangement is due in London on the 15th April (as I learn from your letter of the 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.

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

The Hon. the Colonial Treasurer, Wellington.