

on the 20th instant is consequently much in excess of the amount required to meet the interest due 1st September, but, in the absence again of any advice as to the arrangement made for paying off the sums advanced by the Bank of New South Wales and the Bank of New Zealand, I am unable to determine the amount of interest requiring to be paid in London on that date, or of that to be paid to the Bank of New South Wales in the colony on the 1st August on the amount of its advance. If the whole of the £3,500,000 has been allotted to purchasers—as the information to hand would seem to indicate—then interest must be payable on that sum from the 16th June to the 1st September; but, in that case, it is fair, in reference to my letter to the Loan Agents of the 4th January last, to infer that the short-dated bonds have practically been redeemed by the repayment of the advances obtained upon them from the two banks. If this inference be correct, the question arises, in reference to the advance made by the Bank of New South Wales, the interest on which is payable in the colony on the 1st February and 1st August, on what date was the advance repaid, and up to what date is the interest thereon payable?

A similar difficulty occurs in respect to the interest payable on the advance made by the Bank of New Zealand; but as the interest in that case is payable in London (on 15th August), and as three-fourths of the proceeds of the loan will by that date have been paid into the bank, the difficulty may no doubt be satisfactorily arranged by you.

As regards the interest payable to the Bank of New South Wales, the matter is, however, likely to be troublesome. The bank will, no doubt, demand payment of the half-year's interest, due on the 1st August, while the Commissioners of Audit, having issued, on the 20th instant, a bank order for the payment of half a year's interest on the long-dated debentures for £3,500,000, due on the 1st September, will probably decline to issue the half-year's interest on £500,000 short-dated debentures due on the 1st August.

I beg that, as one of the Loan Agents, you will call the attention of your colleagues to the necessity of the Government being fully and promptly informed on all points connected with the very important business in which they are engaged.

I enclose, for your information, copy of a telegram despatched to the Crown Agents, London, this day, and request that you will be good enough to confer with those gentlemen, with a view to disposing of any technical difficulty which may arise in regard to this, to some extent, necessarily irregular operation.

The Agent-General, London.

I have, &c.,
J. BALLANCE.

No. 27.

The LOAN AGENTS to the Hon. the COLONIAL TREASURER.

SIR,—

London, 7th June, 1878.

We are glad to be able to confirm telegrams which we have already sent to the Hon. the Premier, by which you will have learned that the two loans, amounting in all to three and a half millions, have been negotiated with entire success.

The Bank of England, on our behalf, called for tenders. The list was opened on Monday morning, the 3rd instant, and closed on the following morning, when the applications received amounted in the aggregate to about eight and three-quarter millions.

The great success with which the loan met was due to a variety of circumstances. The time chosen was particularly opportune. The Bank rate had just fallen to $2\frac{1}{2}$ per cent. We had selected for receiving subscriptions the day upon which the various rumours in reference to the Congress were confirmed by the announcement that it would positively be held. The buoyancy of the market during the previous week culminated on the gratifying intelligence that all doubts as to the Congress being held were at an end. The low rate of money was another circumstance in our favour, and the fact that the Bank of England, for the first time in its history, had called for tenders for a colonial loan, was not without its influence upon investors. It is important that you should recognize that the success of the loan does not mean that the market is open to the negotiation for some time to come of further New Zealand loans. Too much stress should not be attached to the magnitude of the subscriptions. It is not to be supposed that there was really a willingness to subscribe to the amount of eight and three-quarter millions. When it became known that the applications for the loan would exceed the three and a half millions we had to dispose of, it became evident that the full amount applied for in each case could not be granted; hence applications were put in for much larger sums than the subscribers actually required.

We had for a long while been engaged in negotiations in order to be ready immediately on a favourable opportunity presenting itself. The opinions we received from most experienced persons to whom we applied were that we could not hope to place so large an amount without submitting to a considerable discount on par rates. Even when we adopted the plan which seemed to us most desirable—of enlisting the assistance of the Bank of England—we were not assured of success; and when we finally fixed the rate we resolved on terms of payment less favourable to the subscribers than any authority was prepared to recommend us. After anxious consideration, we determined on adopting a fixed rate, as we desired to be assured in advance of at least a major portion of the loan being subscribed, and we could not count on such an assurance without those who were willing to subscribe largely being able to know the rate at which the loan might be obtained. Hourly from the time the advertisement was issued the position improved, but we are quite confident that, in view of the large interests at stake, we adopted all the precautions that could have been devised to obtain a good rate for the loan, coupled with a reasonable assurance against failure. The allowances for payment under discount amount to a mere fraction, and the price may therefore be considered equal to par. The commission we agreed to pay the Bank of England was only $\frac{1}{2}$ per cent., a smaller commission than would have been required for the same services from much less powerful negotiating bodies or firms.