

the month of July to raise a Loan of £100,000 for the Colony of Tasmania. This Loan was publicly advertised and Tenders invited. The minimum price fixed by the Tasmanian Government at which Tenders would be accepted was 95, that is a bonus of five per cent. on each Bond or Debenture for £100, which was also to bear interest at six per cent. per annum. At this price there was only one Tender, and that for £1000 only; and consequently the Tasmanian authorities were obliged to let the application lie over for a time. An attempt to raise a Loan of money in the month of August for the Russian Government also failed. The following correspondence which passed between myself and Mr. Alexander Scrimgeour, of the firm of Messrs. J. & A. Scrimgeour, No. 18, Old Broad Street, London, extensive Brokers, and Brokers for the Union Bank of London, will explain clearly the state of the money market at the time as regarded the Loan proposition. I had handed to Mr. Alexander Scrimgeour, for his opinion and advice, the papers connected with the Loan, and on 21st July, he wrote to me as follows:—

“DUNKELD,
“21st July, 1867.

“DEAR SIR,

“I have read the Papers respecting the Loan for Prince Edward Island very carefully, and there is only one suggestion which I have to make which is as to the application of the Sinking Fund.

“I have no doubt that it would tend to make the Loan popular if the Sinking Fund were made to act by a five per cent. annual drawing at par, that is to say, if £5,000 Bonds were drawn each year by lot, and paid off at £100, thus redeeming the whole Loan in Twenty years as authorized by the Act.

“The advantage of this plan to the Government is, that it renders the Sinking Fund self-acting, obviating the necessity of investing from year to year, sometimes at a great disadvantage, for a period of twenty years, while to the Bondholder it is very attractive, as assuming the Bonds to be issued at a discount, it gives him the chance of an almost immediate profit on his investment. In cases where the Sinking Fund is arranged in this way the shorter the date at which the Loan expires the better, ten year Bonds would command a better price than twenty years.

“About this time last year, when things were very dull, we floated a Loan for New South Wales (£850,000) on this plan with great success, and I feel satisfied that it will become more and more general.

“I assume that you will have taken care to comply with the requirements of the Committee of the London Stock Exchange, by having the Bonds numbered and the whole series inserted on the face of the Bonds. You can obtain a Bond at our Office if you require a sample.

“From what I hear, things seem extremely dull in London just now, and I should recommend your waiting a little if practicable.

“I am, dear Sir,
“Yours truly,
“A. SCRIMGEOUR.”

I replied to this letter on 26th July last, as follows:—

“DEAR SIR,

“I received your Letter of 21st instant, and I am much obliged to you for the suggestions respecting the Loan contained in it. I quite agree with you that it would be more likely to float to advantage if the Sinking Fund had been applied to the payment of Bonds annually drawn, but as the Act now stands its provisions will not admit of such an arrangement, and any issue which takes place would have to be strictly in accordance with the local statute, payable too at twenty years from date. I am very desirous, if it can be done without too great a disadvantage, to raise the Loan at once, because I have to return to America on 17th August, and would like, if practicable, to complete the matter by that time. Will you be so kind as to give me your opinion as to the price at which you think the Bonds would now sell, issued as the Act now authorizes. The Canada, New Brunswick and Nova Scotia Bonds, which are pretty much in same form as those I propose to issue, appear to me to be worth now about $96\frac{1}{2} a \frac{3}{4}$. Prince Edward Island being in the same group of Colonies, and its financial condition rather better (relatively) it appears to me than the others, ought, I think, to get as good a price for her Bonds. But what I want your opinion on are the following points:

“1st. What price, in your opinion, would the Prince Edward Island Bonds probably obtain if now put on the market in their present form?

“2nd. What price, if put on the market, say two or three months hence?

“3rd. What increased price in either case do you consider would be obtained if the Sinking Fund was made applicable to an annual discharge of the Bonds by drawings; and

“4th. What increase if ultimate time for payment should be made in ten instead of twenty years.

“I have seen your father on this matter since I saw you, and his views coincide with yours. I have arranged to meet Mr. Barton at the Union Bank, on next Wednesday, at $\frac{1}{2}$ past 10 o'clock, to determine what course I shall pursue now about the Loan, and I shall be very much obliged if you will be so good as to give me a reply and your opinion on the points to which I have referred, so that I may receive it on or before Wednesday morning next.

“You will please bear in mind that I desire to issue the Loan now if practicable, but I shall be very much guided by your opinion and advice.

“I am, dear Sir,

“Yours very truly,
“JOSEPH HENSLEY.”

Mr. Scrimgeour replied to the following effect:—

“24, UNION STREET,

“ABERDEEN,

“29th July, 1867.

“DEAR SIR,

“I beg to thank you for your Letter of 26th inst. It would of course be impossible to do anything not strictly in accordance with the Act. In reading it over it appeared to me that it would admit of the Sinking Fund being applied by annual drawings, provided the Loan was extin-