

MADRAS RECORD OFFICE.

Government of Madras.

DEPARTMENT.

Financial

G.O. No. 81

Press
Mis.

Dated 21. 2. 1868

B. no. 1-2.

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Not to be folded or roughly handled*2/11*
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N^o 613

Extract from the Proceedings of the Government of
India in the Financial Department under
date the 27th Jan'y 1860

Read the Undermentioned papers,
regarding the mode in which the Assets
of the various Service and Charitable Funds
in the several Presidencies are invested.

Telegram from the Accountant General
Madras dated the 7th March 1839 No 89.

Telegram from the Financial Secretary
in reply dated the 10th March 1839 No 1620.

Ditto from Accountant General Madras
dated the 2nd April 1839 in reply. No 233.

Ditto from the Financial Secretary dated
the 6th April 1839 No 2579.

Letter from D^o D^o dated the 7th D^o No 2632.

Ditto from the Accountant General Madras
dated 9th April 1839 No 1277.

Telegram in reply No 13 dated 10th May
Financial Resolution No 3870 dated the 13th May
1839.

Telegram from the Accountant General
Madras dated the 17th idem No 53.

Telegram from the Financial Secretary to the
Government of India No 39 dated the 31st idem.

Letter from D^o D^o No 4388 dated the
31st May 1839.

Letter from the Secretary to the Bengal Civil
Fund dated the 18th idem.

Extract

Extract Military Department No 818 dated
the 17th June 1839.

D^o D^o No 67 dated the 14th July 1839.

Letter from Acting Secretary to Government
of Bombay No 781 dated 15th idem.

Ditto from the Accountant General to the
Government of India No 1888 dated 12th
November 1839.

Ditto from Accountant General Madras
No 76 dated the 12th December 1839 with
its enclosures.

Ditto from the Chief Secretary to the
Government of Fort St George No 697 dated
the 24th December 1839.

Letter from D^o D^o dated the 9th January
1840 No 10 with its enclosures.

On the 7th March 1839, the
Accountant General at Madras enquired
whether the Civil Fund Charity Branch
could avail themselves of Notification of
the 27th July 1837 for investing a portion of
their Surplus Capital in the open 5 per
Cent Loan; the intention being to convert
some of their 4 per Cent papers into Lives by
transfer of an equal amount in Cash.

He was told in reply that
orders could not be passed until full par-
ticulars of the case were furnished.

The Accountant General then
explained

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termination?

Ponmabalam 2.
explained. "The greater portion of the 4 per
Cent Paper was obtained by purchase and
the rest by transfer of the Promissory Notes
of 5 per Cent Loan into 4 per Cent Loan.
The purchase was made previous to your
instructions but no purchase was to be
permitted, the Surplus Capital is in the
General Treasury and Interest at 5 per Cent
per Annum is afforded by Government on
the remaining Accounts, a Donation equal
to the difference between the above rates and
8 per Cent formerly allowed to Charitable
Funds is granted in addition at the term
of the year."

The Accountant General was
informed in reply that the proposed
measure could not be sanctioned. At the
same time he was desired to furnish full
explanation as to the real bearing of the case
together with complete figured Statements
showing the number and Amount of Government
Promissory Notes held by the Fund, the rates
at which they were purchased, the amount
of donation paid upon them, and other parti-
culars respecting the disposition of the
present balance of the Fund.

The Accountant General was
directed further to call upon the Directors
of the Fund to shew cause why all the
Govt.

Government Promissory Notes held by the Charity Branch of the Fund should not be cancelled, and why non transferrable Treasury Notes for the sums which the said Promissory Notes cost the Fund, not exceeding par-value in any case should not be granted instead.

Adverting to the refusal of the Government to sanction the measure proposed by him on the 7th March 1859, the Accountant General submitted an explanation of the proposition in the hope that the Government of India would take a different view of the subject after considering his explanation, but he was informed in reply that this Government awaited the further information which he had since been called upon to furnish.

On the 13th of May 1859, this Government, after recapitulating the measures which had been taken in connection with the Madras Military Fund since July 1832, passes the following Resolutions. "The Governor General in Council observes, from what has been stated by the Accountant General to the Government of Madras that there is a great probability not only that the Military Fund, but that the Civil Fund, Medical Fund and possibly some other Funds at all the Presidencies, have,

Warrenburg 3

by investment of their Assets in Government Securities, purchased at a discount, been placed in receipt of a larger amount of donation from Government, than they are strictly entitled to, and that the amount of such overpayments cannot be ascertained without careful enquiry in the offices of the Accountants at the several Presidencies, and in the offices of the several Funds. His Lordship in Council accordingly desires that such an enquiry be instituted."

"His Lordship in Council further observes that in regard to the Civil Fund at Madras, this error by which Government suffers a loss, has actually been committed; and that there is no certainty to what extent the error may have prevailed."

On the 17th May 1859, the Accountant General at Madras intimated that the Directors of the Military Fund wished to subscribe Rupees Ten Lacs at the Funds' Credit in the Treasury to the open Loan and enquired whether he should permit it, adding that it had been allowed on a former occasion viz in August 1848-

He

He was told in reply that, pending the enquiries ordered in the Resolution of the 13th of May 1859, the proposal of the Military Fund could not be sanctioned.

On the 18th May 1859, the Managers and Trustees of the Bengal Civil Fund reported that no part of the capital of the Fund on which the additional interest is allowed by Government by way of donation, has at any time been invested in any other form than that of ^{new} transferrable Treasury Notes.

On the 17th June, the Managers of the Bengal Medical Fund reported that no part of the assets of the Fund is or has ever been invested in Government securities.

On the same date, the Directors of the Bengal Military Fund reported that this Fund does not now hold and

never

never appears to have possessed any Govt securities bought at a discount and that the whole of its invested assets consist in non transferrable Treasury Notes bearing interest at 4 per Cent per annum, and on which donation, interest at the same rate is obtained.

On the 15th July, the Government of Bombay stated that no transactions of the nature alluded to have been carried on by the Bombay Medical Retiring Fund and that no money belonging to the Military Fund has ever been invested in the Government Loans adding that in no case in the Bombay Presidency has the capital of a Fund been increased at the expense of Government.

On the 12th November, the Accountant General to the Government of India reported that with exception of the "additional" assets of the Civil Service Fund and a sum belonging to the Military Orphan Fund, no portion of the capital of any of the Funds named in the margin has been or is now so invested.

+ Civil Service Fund
Civil Fund
Military Fund
Medical Retiring Fund
Military Orphan Fund
+
Hindu Service Fund
Pension Fund.

The ordinary assets of the "Civil Funds," he explained, are invested in Treasury Notes bearing interest at 4 per Cent with 4 per Cent more as a donation - on the "additional" funds of this institution no higher interest than 4 per Cent is allowed whilst they are in the public Treasuries, the bulk of the capital is invested in Government securities purchased at the market rates.

With regard to the Military Orphan Fund he explained, "the assets of the Military Orphan Fund are now entirely invested in 4 per

per Cent Treasury notes on which a donation at the same rate is allowed in addition. I have to state however that on various dates between March 1830 and March 1831 the funds of this Institution were applied to the purchase of Govt Promissory notes amounting altogether to Rupees 1165,226-10-8 at various rates of discount ranging from $14\frac{1}{2}$ to $19\frac{1}{3}$ per Cent. These securities were disposed of between February 1833 and April 1834, with a gain to the Fund of Rs. 194,418-7-11- pursuant to orders received from the Honble the Court of Directors dated 3^d November 1832 N. 54 and the proceeds were reinvested in Treasury notes.

The Government donation, calculated at 3 per Cent was, I presume, allowed on the amount of the securities and not that of Capital invested, but in a letter addressed by your Office to the Sub-Treasurer dated 9th September 1831, N. 1410, it was intimated that the Government did not desire to disturb the payments made to the Fund before receipt of the Honble Court's orders of 3^d November 1832.

On the 12th December 1837, the Accountant General at Madras submitted copies of details statements received by him from the several Officers, who have the management of the service and Charitable Funds at Madras, to which a donation equal to the difference of interest between

5.

Funds	Amount of increase of Capital	when the investments were made	the Paper interest at 2 1/2% up to 30 th April 1839	Difference of interest to 8 per Cent made 8 per Cent only complete up to 30 th April 1839	Total of Columns 3 & 4	of property and of the fixed rate of 8 per Cent is allowed by the rules under which this privilege was originally granted, and also a
Civil Fund	26,479-	1835	4266 1/4	5353 3/4	31,832 3/4	
Charity Branch	19,003	1800 to 1841	16,137 1/2	56,031 1/2	26,034 1/2	
Military Funds	17,48	1815 to 1818	1818-	9363	11,111-	
Medical Funds	3954	1799 to 1848	2218	2218	6172	
Mil. O. S. Asylum	7782	1837 to 1851	3256	3256	11,038	
Mil. O. M. Asylum						
	5,66		27,695 3/4	86,222 1/4	146,188 1/4	

Memorandum shewing the increase of Capital obtained by investment of assets at discount and the consequent increase thereby of donation paid annually to each Institution as well as the total amount of such over payments up to 30th April 1839, an abstract of which is shown in the margin.

The Secretary to the Civil Service Fund Charity Branch, in submitting his statement represents that the records of his Office previous to the year 1823 are so imperfect that he cannot trace the origin of the 5 Promissory notes 7th of the amount of which appear to have been consolidated into the note first described in his statement and that to avoid delay he began that statement with the year 1823. The purchase of Promissory notes at a discount appears to have been made only in the year 1835 and these notes constitute but a very small portion of the Capital of this Fund. In paras 4 & 5 of his letter, the Secretary submits reasons why

why

why the Promissory notes of the Fund should not be cancelled and converted into non-transferable Treasury notes, and asserts the claim of the Directors to invest in any open loan, he states - "If the purchase of Bonds in the market was on one or two occasions effected at a discount and the Capital of the Fund thereby augmented, it was so augmented, not for any speculative purpose, but as a permanent investment. - The then Trustees saw nothing in the measure opposed to the undersigned's views of the late Honble Comt, in as much as the design with which they gave a donation to the Fund was to increase the Capital and to assist in rendering itself sustaining. - The Trustees once made aware of the sentiments of the Supreme Govt on the subject have not made any further investment of the kind."

"The Trustees however demur to the proposition of the Supreme Govt which would exchange their Capital into 4 per Cent non-transferable Promissory notes - The Capital is not the property of the Trustees but of the whole service and it cannot be changed in its nature in this manner. - All the calculations upon which the interest and the working of the Fund are guarded and conducted are based upon the known Capital as it stands. and the Trustees very respectfully beg to state that as the Supreme Govt have not acceded to their original request and the 5 per Cent loan is now closed, they consider their *pro passu* dropped."

"At the same time the Trustees claim as the military Fund have claimed

and had their claims allowed, the right of investing the surplus cash of the Fund if they should think fit, in the present or in any open loan. - By such investment no increase whatever will accrue either to the donation or the Capital of the Fund."

The Secretary to the Military Fund forwards two statements shewing the Promissory notes purchased at Premium and at discount; deducting the premium from the discount the net amount exhibits the increased Capital at Rupees 19,003 - 1 - 1/2. which also forms but an insignificant portion of the large Capital of the Fund. - The purchases by this Fund are shewn in the Statement to have commenced in 1808 and continued up to 1824 from which time the practice of investing by purchase appears to have ceased, and that of subscription to the open loan adopted."

The Secretary to the Military Female Asylum states that in consequence of the cash Books not having been kept in that Institution from the period of its establishment in 1787 up to the end of 1792, he is unable to give information regarding Investments during that period, but he furnishes two Statements shewing the transactions by purchase of Bonds at Premium and by sale at a discount deducting the loss from the gain, the Capital appears to have been augmented by Rs. 2548 - 11 - 1/2.

The Statement forwarded by the Secretary to the Military Male Asylum

Asylum shows a net increase to the Capital of Rupees 7,630.---9.---

The visiting members of the Manigar Choultry, the Accountant General at Madras observes, state that the Rented Property at that Institution amounts to Rupees 9,000 bearing 4% interest per Annum and that the Commission votes were presented in 1848. To the Institution by one Paulinus Brachellum Chittiar.

On the 21st December 1859, the Government of Madras states, "The Government learn from the Accountant General that he has submitted a report on this subject. It is probable therefore under these circumstances that no further communication is expected from the Government."

On the 9th Instant, the Government forwarded a copy of a correspondence between the Trustees of the Civil Fund and the Accountant General there, regarding the investment of 9,50,000 Rs. The property of the Civil and subsidiary Funds in the open 5 1/2 per Cent Loan, from which correspondence it appears that the Accountant General objects to the investment, with reference to the previous correspondence on the general question, and that the Trustees press their right to invest their surplus Capital in open loans at par. -

"This right" the Government of Madras observes, "has already been admitted in the case of the Military Fund" and "should similarly be recognized in the case of the Civil Fund."

8,50,000?

8/2

Conclusion

With reference to the result

of the enquiries entered in the Resolution of the 13th May 1859, the Honble the President in Council observes that the only Funds regarding which orders appear to be necessary are the "Military" the "Civil Service Fund Charity Bazaar" and the Funds of the Male and Female Asylums at Madras.

It seems highly expedient in all these cases that the investments should be made in non-transferrable Treasury Notes, but as it is questionable whether this can be insisted on without previous reference to Her Majesty's Government, His Honor in Council resolves that the whole of the papers shall be forwarded for consideration and orders to the Right Honble the Secretary of State for India.

With reference to the communication of the Government of Madras dated the 9th Instant, His Honor in Council remarks that the correspondence submitted by that Government has already been brought to the notice of this Government in the 2^d para. of the report of the Accountant General at Madras of 12th December 1859 and he resolves that pending the orders of the same Authorities on the general question, the investment applied for by the Trustees of the Civil Fund be allowed on the understanding that the 5 1/2 per Cent Notes will be cancelled in the event of the ultimate decision being in favor of non-transferrable Treasury Notes.

Order

Ordered, that a copy of the above Resolution be forwarded to the Government of Madras for information.

Order

Myra Lunt

Secy. To the Govt of India

Order thereon 21st February 1860. No 81.
Ordered that a copy of the foregoing Proceedings of the Gov^t of India be furnished to the Trustees of the Civil Fund.
Wm
To the Trustees
of the Civil Fund. 21st Feb 1860

Pro: 10 days/60 = 21.23

Financial Report

Pro of Good 29. Feb

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Jas. A. Carter
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With an Order