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MADRAS RECORD OFFICE.

Government of Madras.

financial DEPARTMENT.

G.O. No.	S-19	Press / Mis.
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Dated 23-10-	18 61.	

Not to be folded or roughly handled

Proceedings of the Madras Goverment, Financial Department,
23rd October 1861.

Read again letter from the Acting Accountant General, dated 20th September 1861 No. 154, recorded in Proceedings of the 5th instant.

No. 52. ORDER THEREON, 23rd October 1861, No. 519.

With their letter of the 23rd August last, No. 10,368, the Government of India forwarded a copy of the Memorandum of Agreement with the Bank of Bengal, with a view to a similar Agreement being concluded with the Bank of Madras. This Memorandum was printed and four copies sent to the Accountant General, one copy for his own use and three to be furnished by him to the Directors of the Madras Bank.

Order, 5th October 1861, *No.* 486.

2. The letter from the Government of India and its enclosures having been submitted to the Law Officers of Government for their opinion on the subject of paragraph 2, they forwarded Draft of an Agreement with the Bank of Madras and requested information on certain points indicated therein. This information was duly furnished; but a further communication from the Law Officers on the point specially referred to them, viz., legal power to the Bank to enter into such an Agreement with the Government, has necessitated a reference to the Government of India for their views, and pending their reply, the Governor in Council resolves to forward the copy of the Draft Agreement to the Accountant General, with a request that he will place himself in communication with the Directors of the Bank on the subject, in view to eliciting their remarks thereon.

Order, 11th September 1861, *No.* 460.

Order, 11th October 1861, *No.* 499.

Letter dated 18th October 1861, *No.* 507.

3. In their letter of the 18th September last, to the Acting Accountant General, the Directors of the Bank enquire if any reply has been received from the Supreme Government on the other points under consideration. With respect to the* maximum and minimum balances, the decision of the Government of India has already been communicated to the Directors; and the only other points appear to be, 1st, the allowance on account of Establishment to be transferred to the Bank for the management of the receipts and disbursements of Government—and 2nd, the rate of remuneration to be allowed for the management of the Government currency.

Order 5th October 1861, *No.* 486.

* NOTE.—*The two principal points submitted as subjects for negotiation are, 1st, the maximum Government cash balance to be left at the disposal of the Bank as applicable to general Banking business; and 2nd, the minimum below which the Government should agree not to reduce their cash balance without its being made up to the Bank by an allowance to be afterwards determined. Vide paragraph 3 of the Memorandum of the Directors of the Bank, dated 15th May* 1861.

4. In regard to the first, Mr. Harrison in his letter of the 21st May last, No. 21, paragraph 4, reported that he had mentioned to the Directors that if it could be shown that the amount offered, viz., Rupees 12,000, was not sufficient to secure the prompt and efficient performance of the additional duty which would be thrown upon the Bank by the transfer to it of the Government business, he was authorized to consider their objections and to tender such sum as might seem to himself and the Sub Treasurer to be adequate. The Officers of the Bank, he stated, were unable to explain how the sum of Rupees 15,000 said to be the probable cost of additional Establishment was arrived at, or what extra establishment would be necessary. He did not, therefore, consider it advisable to make any alteration in the offer of Rupees 12,000 previously made.

Proceedings, 6th June 1861, *No.* 279.

Proceedings of the Madras Goverment, Financial Department,
23rd October 1861.

5. As regards the second point, the Directors have expressed their willingness to accept, in remuneration for the management of the Government currency, the same rate as has been agreed to by the Bank of Bengal, viz., $\frac{7}{8}$ per cent. Commission on the average amount of the circulation, and this rate has accordingly been entered in the Draft Agreement.

Vide paragraph 9 of letter to Government of India, 6th June 1861, *No.* 280

Vide Clause Seventeenth.

(Signed) J. D. SIM,
Secretary to Government.

Exd. F. Cartledge.

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Agreement with the Bank of Madras.

Memorandum of agreement made and entered into this day of in the year of our Lord between the Secretary of State in Council for India of the one part, and the Bank of Madras of the other part.

Whereas the Governor of Madras in Council, under and by virtue of the provisions of Act IX of 1843 of the Legislative Council of India, on the 25th day of February, 1861, gave notice, in writing, to the Bank of Madras, that from and after the expiration of twelve calendar months, from the date of the said notice, the Bank of Madras and its then powers and authorities would be modified, and by Act XIX of 1861, the powers and authorities of the said Bank have been accordingly modified, as by that Act appears: And whereas, at the time when the said Notice was so given, negotiations and arrangements were

were pending between the Governor of Madras in Council acting in the premises under instructions from the Governor General of India in Council and on behalf of the said Secretary of State, and the Directors of the Bank of Madras, having for their object the transfer to the said Bank of the business of the Government Treasuries at Fort St. George and elsewhere in the Presidency of Fort Saint George and the Provinces annexed thereto, and the superintendence and management by the said Bank, for the Government of India, of the issue of the then proposed Government Paper Currency: And whereas the general terms of the said proposed arrangement have now been finally settled and agreed upon between the Governor of Madras in Council and the Directors of the said Bank, and by Act XXIV of 1861 the said Bank have been empowered to enter into an agreement in that behalf with the said Secretary of State in Council: And whereas by Act XIX of 1861 of the Legislative Council of India provision has been made for the issue by the Government of India of Currency Notes payable to bearer on demand:

Now

5 19

Now this Indenture witnesseth, that for the purpose of carrying out the said arrangement, and in consideration of the payments and covenants hereinafter respectively mentioned and contained, and by, and on the part of the said parties to these presents, respectively, to be paid and performed, each of them, the said Secretary of State in Council and the said Bank of Madras doth and do hereby, for himself and themselves, and his and their respective successors, covenant and agree with the other of them and their and his respective successors in manner following (that is to say):-

First. From and after the day to be appointed by the notification mentioned in the 20th paragraph of these Presents, the business of receiving and paying money on behalf of the Government of Madras, heretofore transacted at the General Treasury at Fort St. George, shall be carried on and transacted by the Bank of Madras, subject to the provisions of this agreement, and to such orders and directions with regard to receipts and payments as may, from time to time, be given to the said

Bank

Bank by the Governor in Council or any of the Officers of the Government of Madras authorized in that behalf, and for the purpose aforesaid, such account or accounts shall be opened in their books by the said Bank with the Government of Madras, as the said Government of Madras shall, from time to time, direct.

Second. The Cash Balance now in the General Treasury shall, from and after the day appointed by the notification aforesaid, be deposited with the Bank of Madras, who shall also hereafter receive and hold for the said Government of Madras, all moneys and balances which, but for these presents, would have been received or held by the said General Treasury, and the Bank shall transact, at their principal Office in Madras, all such business for the Government of Madras, regarding the receipt, collection, payment, and remittance of money and securities and other matters, as is usually transacted by bankers for their customers.

Third. That from and after the day appointed by the notification aforesaid, the

the said Secretary of State in Council shall pay to the Bank the actual costs and expences of packing and shipping specie remitted under the preceding clause, and for which costs and expenses Contingent Bills shall, from time to time, be submitted to the Civil Paymaster, Fort St. George for the time being, and be passed by him, on approval, and the said Secretary of State in Council shall, from and after the last mentioned day further pay or cause to be paid to the said Bank the yearly sum of Rupees Twelve Thousand Rupees in full of all costs and expenses attendant on the maintenance by the said Bank of the establishment of Clerks and Servants necessary for the carrying on of the said Government Banking account and business, and the Bank shall not charge any interest or commission on the said account, except under such arrangement as in the next following clause mentioned.

Fourth. That so long as the average cash balance for any month in the hands of the said Bank on the said Government Banking account shall not exceed

Fifteen† lakhs of Rupees, the said Bank shall be at liberty to use and employ such balance, subject to the provisions of their present Charter Act, or any future Act relating to the said Bank, and to appropriate the profits arising from such employment, without being charged with any interest in account: And that when and so often as the monthly average of such cash balance shall exceed Fifteen lakhs of Rupees, the Directors of the said Bank, for the time being, shall forthwith either set aside such excess or surplus in cash to be kept in reserve in a separate treasuroom or place of deposit on account of the said Government of Madras, or shall at the option of the Directors of the Bank invest such excess or surplus on account of the Government of Madras, either in the purchase of Government Securities, or Railway Debentures guaranteed by Government, in the name of the Accountant General, or of such other Officers as the Government of Madras shall, from time to time, direct, or in the discount of Government acceptances or of other claims against the Government

†See Para 2 of Letter No 13525 Dated 5th Nov 28th Feb 1861. from Secy to Govt of India. Fin. Dept. to Secy to Govt of Madras

9 B

ment, and so that such surplus shall be withdrawn from employment as part of the general funds of the Bank, and so on from time to time, as often as an uninvested surplus cash balance above Rupees lakhs shall, on the taking of the monthly average, appear to be in hands of the Bank. And the said Bank shall at all times be answerable and accountable to the Government of Madras for the surplus cash balance for the time being so set apart or invested, but shall be entitled to draw and apply the interest or dividends arising from such investment, from time to time, to their own use. But when and so often as the cash balance in the hands of the said Bank shall, on the taking of the monthly average, appear to have been less than Rupees Ten lakhs, then, in addition to the profit which the said Bank may acquire by the employment of such balance, free from interest as aforesaid, an additional allowance or remuneration by way of compensation shall be made to the Bank by the payment by Government of interest on the difference between the amount of the

actual

actual balance of Government and the sum of Two lakhs, the interest being calculated at the average rate of interest paid by the public on fixed loans during the month.

Fifth. That the books of account and minutes of proceedings of the Bank relating as well to the said Government banking account and business as to the general accounts and business of the Bank, shall, from time to time, and not less than once, and not exceeding four times, in any one year, be submitted to the examination and audit of an Officer or Officers to be, from time to time, appointed or authorized by the Governor of Madras in Council for that purpose, and that report of such Officer or Officers as to the state of the banking account between the Government of Madras and the Bank, or as to the cash balance invested or uninvested for the time being in the hands of the Bank, or as to any Proceeding relating to the said banking account or business shall first be laid before the Directors of the Bank, to enable them to furnish any explanation or further information touching any of the matters

matters referred to in the report, and such report, together with the explanation, shall then be submitted to the Governor of Madras in Council whose order, decision, or finding on such report shall be binding and conclusive on the Bank.

Sixth. That from and after the day appointed in the notification aforesaid, an agency of Issue shall be established at the principal office of the Bank of Madras as the agency for the Circle of Issue of Madras under Act XIX of 1861, and that the said Bank shall and will act as Agents for the said Secretary of State in Council and the Government of India, in and for the issue to the public at Madras, and the circulation of the Government Currency Notes established by the said Act, and in payment and cashing of such Notes, and in all things required to be done by such Agents or at such Agency, under or by virtue of the said Act.

Seventh. That all demands for the issue of Government Currency Notes that shall be made in the Circle of

Issue

Issue of Madras, under the 9th Section of the said Act XIX of 1861, may be made at the said Agency at the principal Office of the Bank of Madras at Madras and that the said Bank shall and will, from time to time issue and deliver from and at such Agency, such amount of the said Government Currency Notes as may be duly demanded or applied for at the said Agency, by any person or persons, or body or bodies corporate, desiring and entitled to have the same issued under the provisions of the said Act; and shall and will for that purpose, and from time to time apply to the Commissioner of the Department of Issue, at Madras, established under the said Act, for such Government Currency Notes of such denominations as shall be necessary to enable the said Bank to make such issue and delivery.

Eight. That whenever the said Bank shall issue and deliver at and from such Agency any Government Currency Notes under the 2nd Clause of the said 9th Section of the said Act, in exchange for standard silver bullion, or foreign silver coin, or under the proviso in the said Section in exchange for foreign gold coin or gold bullion, the said Bank shall and will before such issue and delivery, require the production by the person tendering such coin or bullion, of a Certificate signed by the Master of the Madras Mint, that such coin or bullion has been weighed and assayed and has been deposited in the Mint to the full amount in value of the Notes so to be issued, or shall otherwise satisfy themselves that such bullion or coin to the amount in value of the Notes so to be issued at the rates authorized in the said clause and proviso respectively, has been deposited with the said Department of Issue, to the satisfaction of the said Commissioner of the said

said (Department at Madras according
to such mode as shall, from time to time,
be directed, with the sanction of the Go-
vernment of India, by the Head Commis-
sioner.

Ninth. That whenever the said Bank
shall issue and deliver at and from such
Agency any Government Currency Notes
under the 1st or 3rd Clause of the 9th Section
of the said Act XIX of 1861, in exchange for
current silver coin of the Government of
India, or for other Currency Notes of the Govern-
ment of India payable to bearer on de-
mand, of other amounts issued within the
said Circle or under the proviso in the said
Section, in exchange for gold coin of full weight
of the Government of India, the said Bank shall
carry the amount of the said current silver coin
or Notes, or gold coin of the Government of
India, received by it in exchange for the Notes
so issued, to the credit of the Issue Department
of the said Government in such account as the
Head Commissioner, with the sanction of the
Government of India, shall, from time to time,
direct for that purpose.

Tenth. That the said Bank shall not
issue or deliver any of the Government
currency

Currency Notes provided and supplied
to it by the said Commissioner of the De-
partment of Issue at Madras for the purpose
of being issued under the said Act, except to
such person or persons, or body or bodies corpo-
rate as shall be entitled to demand the same,
according to the provisions of the said Act,
and shall have complied with the conditions
of the 9th Section thereof, or otherwise than ac-
cording to the provisions of the said Act.

Eleventh. That the said Bank shall and
will, during the continuance of these Presents,
pay and satisfy on demand to the holders, the a-
mount of all Government Currency Notes duly
issued according to the provisions of the said Act
XIX of 1861, either in Madras or in any other
Circle of Issue within the Presidency of Fort
Saint George, which shall be presented for pay-
ment or conversion into cash at the principal
office of the Bank in Madras.

Twelfth. That a settlement shall take place
at least twice in every week, and if required by
the Bank or by the Commissioner of the Issue
Department at Madras daily, at the office of the
Bank in Madras, between the Bank and the said
Department of Issue, in respect of the Notes issued,

the

the bullion or coin, and notes in Exchange for which the same have been issued, and the notes cashed or converted under these presents or the said Act, by the Bank, and the difference in Government Currency Notes or in cash and bullion (as the case may be) shall on such settlement be adjusted, transferred, and paid.

Thirteenth. That so much of the business of the said Issue Department as shall, from time to time, be carried on at the Bank's office, shall be under the direct control and inspection of the Commissioner of the said Department of Issue at Madras.

Fourteenth. That the Bank shall, if required by the Officer in charge of the Government Issue Department so to do, provide and keep a separate strong room or strong box for the reception and safe keeping of all Currency Notes, coin, and bullion belonging to the said Issue Department, and such room or box shall be under the separate control of the said Issue Department, and its contents shall always be kept separate from the Bank funds and property, and shall be at the exclusive risk of the Government of India except in case of loss through the neglect, default, or misconduct of the Bank or any of its officers or servants.

That

Fifteenth. That the Bank shall at any time during the continuance of this agreement, when, and if, required by the Governor of Madras in Council, but not otherwise, provide a sufficient and convenient office for the Department of Issue at Madras and for the Commissioner of the said office, upon the premises of the said Bank in Madras, at which office the said Commissioner shall and may conduct the whole, or any such part, of the business of issue of the said Department of Issue, as the Governor General of India in Council may, from time to time, direct, and that the Bank shall and will provide the necessary accommodation and establishment of Clerks and Servants for carrying the current duties of the said office.

Sixteenth. That the whole responsibility for loss or damage that may be occasioned by, or arise in respect of, the theft or loss of any Government Currency Notes made under the said Act XXX of 1861, from and after the time of the said Currency Notes being delivered from the said Department of Issue to and at the said Bank for issue, or to any servant or agent of the said Bank for delivery

to

to the said Bank for issue, and the whole responsibility for any loss or damage that may be occasioned in respect of the wrongful payment, exchange, or satisfaction, through mistake, or otherwise, at or by the said Bank of any Government Currency Notes, which ought not to be paid, exchanged or satisfied, or of any forged or spurious Notes purporting to be Government Currency Notes, or in respect of the forgery or alteration of any Government Currency Notes, or in respect of any error or mistake committed by the said Bank or any of its officers or agents in conducting the Agency aforesaid, although the same shall have been conducted under the control and inspection of said Commissioner of the Issue Department at Madras, shall, as between the said Secretary of State for India in Council, and the said Bank, rest solely and entirely with, and shall be borne by, the said Bank, who shall have no claim upon the said Secretary of State in Council for compensation or indemnity for and in respect of any such loss.

Seventeenth. That as and by way of remuneration to the Bank for their conducting, as aforesaid, the said Agency for the issue of the Government

Government Paper Currency and for cashing and converting such notes after issue, the Bank shall be entitled to charge the said Secretary of State in Council, with a Commission, calculated at the rate of three fourths per cent. per annum, on the daily average amount of Government Currency Notes outstanding and in circulation through the said Agency of the Bank at Madras, and which Commission may be debited to the said Secretary of State in Council in the said Banking account between the Government of India and the Bank, the amount of such cost to be established (if required) to the satisfaction of the officer for the time being in charge of the said Issue Department.

Eighteenth. That in case a separate office shall be provided by the said Bank for the said Commissioner of Issue at Madras upon the requisition of the Governor of Madras in Council, under the 16th clause of these presents, the Bank shall also be paid by the said Secretary of State in Council the cost of providing such separate office and of any special establishment that may be provided for, and any special expense incurred by the Bank in respect of the same.

That

Nineteenth. That if at any time during the continuance of this agreement, the said Bank shall establish a Branch office at any town or place other than Madras, and the Governor General of India in Council shall offer to the Directors of the said Bank for the time being, and the said Directors shall on behalf of the Bank accept, the business of Bankers to the Government of India for the district or locality within which such Branch shall be established, or the business of issuing and circulating the Government Paper Currency within such district or locality; there, and in every such case, the business so arranged to be taken up and performed by the said Bank shall be carried on, under and subject to the provisions of this agreement, and on the basis of the clauses cited in the margin, being the 3rd and 5th paragraphs of the Government Memorandum of the 20th March 1861 Relating to the establishment of such Branch Bank, except in so far as the provision of this agreement or of the said Clauses may be modified or altered by any special agreement which the said Secretary of State in Council, through the Governor General of India in Council, may, from time to time, enter into with the said Bank in reference to the business to be carried on at the particular Branch Bank.

3. As regards the establishment of Branch Banks, the Government will, in each Presidency, prefer dealing with the Presidency Banks when the ground is unoccupied; But when other Banks have been established before the Presidency Bank thinks fit to establish a Branch, the Government consider that they will have a preferable claim, on equal terms, and finding proper security.

5. If it be clear that the interest on the average cash Balance at such place as not enough to make a fair contribution towards the expenses of the Branch Bank, the Government will give such fixed annual payment as may be agreed upon, in each case, not exceeding the saving of cost to the Government at such place by the Bank taking the business.

Twentieth. That this agreement and the powers and authorities herein contained, and the covenants hereby entered into, shall come into operation from and after a day to be fixed by the Governor of Madras in Council, by notification in that behalf, which shall be published in the Madras Government Gazette within Calendar months from the date hereof and continue for the term of five years from this date, at the expiration of which time the same shall and may, by notice, in writing from the Governor of Madras in Council to the Directors of the said Bank for the time being, be renewed, with or without any modifications, as may be agreed on between the Governor of Madras in Council

Council and the last Directors.

Financial Dept. Bengal

From

The Secretary Govt

S.O. 579

Dated Fort William
the 19th October 1861.

No. 2596.

Copy of Agreement
with the Bank of
Madras.

18

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1222 ..

Octr 17th 1861

21 Pay

My dear Mr Sim

While I am waiting
for the further information
I have asked for, perhaps
you could make good
use of the Copy of the
Agreement with the
Bank of Bengal, & that
of the Madras Bank Charter

interleaved, which I
have send you. If
you do not want them,
or cannot use them.
(I mean by circulating
them to the Bank
Directors) kindly
return them.
I ask to send you the
draft agreement between

the Madras Govt. & the
Bank of Madras. It is
complete except the one
last to which very late
Queries refer.

Believe me
Yours sincerely
W. Irving Smyth

21 8 61

Financial Depart.

Proceedings of the Madras Govt.

Read again letter from the Actg. Accountant General dated 28th September 1861. No. 154. recorded in Proceedings of the 3rd Instant.

Ordered thereon 23rd October 1861, No. 519.

With their letter of the 28th August last. No. 1868. the Govt. of India forwarded a copy of the Memorandum of Agreement with the Bank of Bengal, with a view to a similar Agreement being concluded with the Bank of Madras. The Memorandum was printed and four copies sent to the Accountant General, one copy for his own use, and three to be furnished by him to the Directors of the Madras Bank.

Order 3 October 1861. No. 485.

The

2. The letter from the Govt of India and its enclosures having been submitted to the Law Officers of Govt for their opinion on the point stated in para 2, they forwarded Draft of an Agreement with the Bank of Madras and requested information on certain points indicated thereon. This information was duly furnished; but a further communication from the Law Officers on the point specially referred to them* has proceeded stated a reference to the Govt of India for their guidance, and pending their reply the Governor in Council requested to forward the copy of the Draft Agreement received to the Accountant General with a request that he will place himself in communication with the Directors of the Bank on the

Order 11th September 1861 No 466.

Order 11th October 1861 No 497.

* viz: legal power to the Bank to enter into such an agreement with the Govt,

Letter dated 18th October 1861 No 509.

Order 5th October 1861 No 486.

the subject, in view to eliciting their remarks thereon.

3. In their letter of the 18th September last to the Acting Accountant General the Directors of the Bank enquire if any reply has been received from the Supreme Govt on the other points under consideration. With respect to the maximum & minimum balances, the decision of the Govt of India has already been communicated to the Directors, and the only other points appear to be: 1st the allowances on account of Establishment to be transferred to the Bank for the management of the receipts and disbursements of Government, 2nd and the rate to be allowed by Government for the management of the Government currency.

* Note.
The two principal points submitted as subjects for negotiation are 1st the maximum Govt Cash balance to be left at the disposal of the Bank as applicable to general Banking business, and 2nd the minimum below which the Govt should agree not to reduce their Cash balance without its being made up to the Bank by an allowance to be afterwards determined. Vide paras 3 of the Hon. Ds of the Directors of the Bank dated 15 May, 1861.

In

Pos: 6th June 1861 - No 279.

4. In regard to the first, Mr Harrison in his letter of the 21st May last (para 4) reported that he had mentioned to the Directors that if it could be shown that the amount offered say Rs. 12,000, was not sufficient to secure the prompt and efficient performance of the additional duty which would be thrown upon the Bank by the transfer to it of the Govt business, he was authorised to consider their objections and to tender such sum as might seem to him & the Sub Treasurer, to be adequate. The Officers of the Bank, he stated, were unable to explain how the sum of Rs. 15,000 said to be the probable cost of additional Establishment to be arrived at, or what extra establishment would be necessary. He did not, therefore, consider it advisable to make any alteration in the offer of Rs. 12,000 previously made. This question must therefore be considered to have been definitively settled.

Vide para 9 of letter to Govt of India 6th June 1861 No 280.

5 As regards the second point, the Directors have expressed their willingness to accept, in consideration for the management of the Govt currency, the same rate as has been agreed to by the Bank of Bengal, viz: 3/4 per Cent Commission on the average amount of the circulation, and this rate has accordingly been entered in the Draft Agreement.

Vide Clause Seventeenth

To the Accountant General.
(with Draft Agreement & 5 copies of Heads proposed for communication to the Directors of the Madras Bank)
& Acting Govt Solicitor

dated 24th

H. B. St.

Fwd 18th Depatch

№ 519

Proceedings of Govt
Dated 23d Oct 41.

Forwards with remarks copy of the Draft agreement prepared by the advocate Genl to the Accountant Genl with a request that he will place himself in communication with the Directors of the Bank of Madras on the subject in view to eliciting their remarks thereon

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