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MADRAS RECORD OFFICE.

Government of Madras.

Financial DEPARTMENT.

G.O. No.	603	Press Mis.
47-48		
Dated	15-8-	1862.

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Not to be folded or roughly handled

*Proceedings of the Madras Government, Financial Department,
15th August 1862.*

No. 47. Read the following letter from Captain H. HYDE, Engineers, Head Commissioner, D. I. P. C.; to the Secretary to the Government of India, Financial Department, dated Calcutta, the 17th June 1862, No. 30.

With reference to the concluding paragraph of your letter No. 3,054, of date the 7th May 1862, I have the honor to forward herewith copies of letters noted in the margin* from the Commissioners of Issue, Madras and Bombay, on the subject of the practice adopted there with regard to Assay Certificates.

* From the Commissioner of Issue, Madras, No. 9, dated 31st May 1862.
From do. Bombay, No. 50, dated 30th May 1862.

2nd. At Madras, Assay Certificates have been paid out of the Treasury Balances, and the practice accords with the decision of Government conveyed in your letter above alluded to; but at Bombay they have been dealt with as a currency transaction, their value having been met by Notes or by cash forming the Currency Reserve. The Commissioner of Issue states, that had this practice not been adopted, and had they been paid out of the Treasury Balance, the inconvenience lately felt by the Bombay Merchants, alluded to in Mr. Wilson's Minute on the Paper Currency for India, would again have been experienced, in consequence of the heavy importations lately made to the Bombay Mint, and the Assay Certificates instead of being paid at sight, which the large Cash Balance of the Currency Reserve was able to meet, could not have been discharged before 20 or 50 days after sight. I do not however, apprehend that with the arrangement made with the Bank there would have been any difficulty in meeting the Assay Certificates, but the Commissioner of Issue, Bombay, has forwarded your orders to the Accountant General, who, I am informed by Telegraph, awaits definite instructions on the subject before altering the system pursued there.

3rd. I may add that if a large influx of Silver Bullion to the Mint takes place here as was the case in 1857-58 so as to necessitate the receipt of the maximum amount, that the Mint can deal with daily, say 4 lacs of Rupees in value, and the Assay Certificates at sight are issued, payable out of the Treasury Balance, it will take 20 days before the Mint will be able to coin and remit the Silver at the rate of 4 lacs a day, during which time 80 lacs of Rupees will have to be paid out of the Treasury Balance at the Bank. I am not aware what is the average minimum Treasury Balance, but the Secretary to the Bank informed me that the amount could always be paid. I think it however necessary, the Government should be informed that in such a contingency the payment of 80 lacs of Rupees out of the Treasury Balance will have to be made before the Mint could commence remitting.

4th. There is one other portion of the letter from the Commissioner of Issue, Bombay, to be brought to your notice, viz., that he evidently considers the granting of Mint Certificates at sight instead of as formerly at 20 days after date as only authorized through the Currency Department; this appears to be actually the case. The original Act of 1819, for regulating the receipt of Bullion, laid down, that Government would from time to time determine by Notification the number of days after which Mint Certificates would be payable, 20 days were notified and no further Notification has yet been issued save in the Currency Department, which has apparently caused the Bombay Bullion Merchants to apply for payment in Notes from the Currency Department. Your letter No. 3,054 would seem to show that Government intend the granting of Certificates at sight, to be a Mint transaction as well, and it is therefore for consideration if the same should be notified or if the Currency Notification be considered sufficient.

(A true Copy.)

(Signed) C. BERNARD,
Under Secy. to the Govt. of India.

From C. BERNARD, Esq., for Secretary to the Government of India, Financial Department; to Captain H. HYDE, Head Commissioner, Department of Issue of Paper Currency, Calcutta, dated Council Chamber, the 5th July 1862, No. 4,451.

Your letter, No. 30, dated the 17th ultimo, submitting, with reference to Orders of the 7th May last, copies of reports from the Paper Currency Commissioners of Madras and Bombay,

*Proceedings of the Madras Government, Financial Department,
15th August 1862.*

regarding the practice adopted at those Presidencies in the treatment of Mint Assay Certificates, having been laid before His Excellency the Governor General in Council, I am directed to communicate to you, in reply, the following observations and orders on this important subject, which, it appears to His Excellency, is still but very imperfectly understood, especially by the Bombay Officials.

2. The practice observed at Madras is correct and calls for no remark.

3. The Currency Commissioner at Bombay has no authority to assume the duties set forth in the late Mr. Wilson's Minute, which was never communicated to him, officially, as his guide for the transaction of business. He is not to purchase Silver Bullion and foreign Coin at a fixed price per ounce. His duty in the Currency Department is simply to issue Promissory Notes on demand for Coin or Bullion tendered for that purpose.

4. It is not clear what is intended by the statement made by the Bombay Commissioner, that the Accountant General desired the accounts between the Bank and Mint to be kept distinct from those of Government. If it is meant that the Mint accounts should be distinct, that it is believed has always been the case; but it could have no account with the Bank except a Government account. An explanation will be required from the Accountant General on this point.

5. As respects the risk or inconvenience to Government of paying Mint Certificates *at sight*, His Excellency in Council remarks that, so far as Government is concerned, there is no more risk and much less inconvenience in treating deliveries of Bullion at the Mint as a coining rather than as a Currency transaction. As a Mint coining transaction, the bullion holder takes his Certificate to the Bank and if it is most convenient to the Government he is paid in Currency Notes instead of Coin. If he is determined to have Coin, he takes his Notes to the Currency Department, or the Bank does it for him and obtains their equivalent in coin.

6. As a Currency transaction in a precisely similar way, he receives Notes for his Bullion and immediately demands Coin for those Notes.

7. In either case, if Coin be the object, the pressure of the demand comes upon the Currency Department.

8. If the Government balance is low and unequal to the demand for Mint Certificates, the Government transfer so much Bullion from the Mint balance to the Currency Department and send the equivalent of Notes to increase its balance at the Bank.

9. Thus, in the case put by you, the Government advance upon Bullion 80 lacs of Currency Notes. If the parties will have Coin, either they or the Bank send the Notes to the Currency Department to be cashed.

10. No doubt the evil referred to at the close of the 2nd paragraph of the Bombay Commissioner's letter would have occurred *if* there had been *no Notes*; but that does not affect the question.

11. The omission of issue of a Notification regarding the payment of Mint Certificates, was accidental and should have been brought to notice sooner. You are now requested to submit a draft Notification, for approval, with the least possible delay.

12. The Deputy Auditor and Accountant General at Bombay has been instructed to give effect to the previous orders, dated the 7th May last, without any further delay, and you will be good enough to communicate the needful instructions to the Currency Commissioner at Bombay.

No. 4,763.

Copy to the Deputy Auditor and Accountant General at Bombay, with a request that he will submit an explanation regarding the Mint accounts, and the delay in carrying out the previous orders.

Copy of the above letter and of the one to which it is a reply, forwarded to the Governments of Madras and Bombay, respectively, for information, with a request that the necessary Notification may be issued by those Governments respectively.

*Proceedings of the Madras Government, Financial Department,
15th August 1862.*

No. 48. ORDER THEREON, 15th August 1862, No. 603.

Ordered that a copy of the foregoing letter and that to which it is a reply be communicated to the Accountant General, who will prepare and submit to Government the required Notification.

(Signed) T. PYCROFT,
Chief Secretary.

Erd. F. Cartledge.

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Department of Issue of Paper Currency Calcutta.

No 30 dated the 17th June 1862.

From

Captain H. Hyde, Engineers
Head Commissioner D.I.P.C.

To

The Secretary to the Govt of India
Financial Department.

Sir

With reference to the concluding para^{graph}
of your letter No 3054 of date the 7th May 1862, I
the honor to forward herewith copies of letters noted

1st From the Comm^r of Issue in the margin¹ from the Commissioners
Madras No 2751st May/62
From D^e Bombay No 30750th May/62 } of Issue Madras and Bombay on the sub-
-ject of the practice adopted there with regard
to Afoay Certificates. -

2nd

At Madras. Afoay Certificates have been
paid out of the Treasury Balances, and the practice
accords with the decision of Government conveyed
in your letter above alluded to, but at Bombay
they have been dealt with as a Currency transac-
-tion, their value having been met by Notes or
by Cash forming the Currency Reserve. The Com-
-missioner of Issue states, that had this practice
not been adopted, and had they been paid out
of the Treasury Balance, the inconvenience
lately felt by the Bombay Merchants, alluded

to in Mr Wilson's minute on the Paper Currency for India, would again have been experienced, in consequence of the heavy importations lately made to the Bombay Mint, and the Afoay Certificates instead of being paid at sight, which the large Cash Balance of the Currency Reserve was able to meet, could not have been discharged before 20 or 50 days after sight. I do not however apprehend that with the arrangement made with the Bank there would have been any difficulty in meeting the Afoay certificates, but the Commissioner of Issue Bombay has forwarded your orders to the Accountant General, who, I am informed by telegraph, awaits definite instructions on the subject before altering the system pursued there. —

3rd I may add that if a large influx of Silver Bullion to the Mint takes place here as was the case in 1857/58 so as to necessitate the receipt of the maximum amount that the Mint can deal with daily, say 4 lacs of Rupees in value, and the Afoay certificates at sight are issued, payable out of the Treasury Balance, it will take 20 days before the Mint will be able to coin and remit the Silver at the rate of 4 lacs a day, during which time 80 lacs of Rupees will have to be paid out of the Treasury Balance at the Bank. I

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4th There is one other portion of the letter from the Commissioner of Issue Bombay to be brought to your notice viz^t that he evidently considers the granting of Mint Certificates at sight instead of as formerly at 20 days after date as only authorized through the Currency Department, this appears to be actually the case. The original act of 1819, for regulating the receipt of Bullion, laid down that Government would from time to time determine by Notification the number of days after which Mint Certificates would be payable, — 20 days were notified and no further Notification has yet been issued since in the Currency Department which has apparently caused the Bombay Bullion Merchants to apply for payment in Notes from the Currency Department. Your Letter No 3054 would seem to show that Government intend the granting of certificates at sight, to be a Mint transaction as well, and it is therefore for consideration if the same should be

Notified

Notified or if the Currency Notification be
considered sufficient. —

I have the honor to return
By H. Hyde
Head Commissioner

(A true Copy)

Chennai

Under Secy to the Govt of India

22/12/61

N 4451

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From
The Honble Edmund Drummond
Secy to the Government of India
Financial Department

To
Captain H. Hyde
Head Commissioner, Department
of Issue of Paper Currency,
Calcutta.

Sir,

Your letter, No 30, dated the 17th
Ultimo, submitting, with reference to orders
of the 7th May last, copies of reports from
the Paper Currency Commissioners of
Madras and Bombay, regarding the
practice adopted at those Presidencies in the
treatment of Mint Assay Certificates, having
been laid before His Excellency the Governor
General in Council, I am directed to communi-
cate to you, in reply, the following
observations and orders on this important
subject, which, it appears to His Excellency,
is still but very imperfectly understood, especially
by the Bombay Officials —

2 The practice observed at Madras
is correct and calls for no remark —

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3 The Currency Commissioner at Bombay has no authority to assume the duties set forth in the late Mr Wilson's Minute, which was never communicated to him, officially, as his guide for the transaction of business. He is not to purchase silver bullion and foreign coin at a fixed price per ounce. His duty in the Currency Department is simply to issue Promissory Notes on demand for coin or bullion tendered for that purpose.

4 It is not clear what is intended by the statement made by the Bombay Commissioner that the Accountant General desired the accounts between the Bank and Mint to be kept distinct from those of the Government. If it is meant that the Mint accounts should be distinct, that it is believed has always been the case, but it could have no account with the Bank except a Government Account. An explanation will be required from the Accountant General on this point.

5 As respects the risk, or inconvenience to Government of paying Mint Certificates at sight, His Excellency in Council remarks that, so far as Government is concerned, there

there is no more risk and much less inconvenience in treating deliveries of Bullion at the Mint as a coining rather than as a Currency transaction. As a Mint coining transaction, the Bullion holder takes his Certificate to the Bank and if it is most convenient to the Government he is paid in Currency Notes instead of coin. If he is determined to have coin, he takes his notes to the Currency Department, or the Bank does it for him and obtains their equivalent in coin.

6 As a Currency transaction in a precisely similar way, he receives Notes for his Bullion and immediately demands coin for those notes.

7 In either case, if coin be the object, the preparation of the demand comes upon the Currency Department.

8 If the Government balance is low and unequal to the demand for Mint Certificates, the Government transfer so much Bullion from the Mint Balance to the Currency Department and send the equivalent of notes to increase its balance at the Bank.

9 Thus, in the case put by you, the Government advance upon Bullion 80 lacs of Currency Notes. If the parties will have coin, either

either they or the Bank send the Notes to the
Currency Department to be cashed.

10 No doubt the evil referred to at
the close of the 2^d para of the Bombay Com-
missioner's letter would have occurred if there
had been no notes; but that does not
affect the question.

11 The omission of issue of a Notification
regarding the payment of Mint Certificates,
was accidental and should have been
brought to notice sooner. You are now
requested to submit a draft Notification for
approval, with the least possible delay.

12 The Deputy Auditor and Accountant
General at Bombay has been instructed to
give effect to the previous orders, dated the
7th May last, without any further delay,
and you will be good enough to communi-
cate the needful instructions to the Currency
Commissioner at Bombay.

Council Chamber,
The 5th July 1862. }
I have the honor to be,
Sir,
Your Most Obedient Servant

Chamard
No 4763 for Secy to the Govt of India
Copy to the Deputy Auditor and Accountant
General at Bombay, with a request that he
will

will submit an explanation regarding the
Mint Accounts and the delay in carrying out the
previous orders.

Copy of the above letter and of the one to
which it is a reply, forwarded to the Government
of Madras and Bombay, respectively, for informa-
tion, with a request that the necessary
Notification may be issued by those Governments
respectively.

[Faint, illegible handwritten notes in the bottom right corner of the page.]

