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MADRAS RECORD OFFICE.

Government of Madras.

Print DEPARTMENT.

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*Proceedings of the Madras Government, Financial Department,
29th January 1862.*

No. 96. Read the following MINUTE BY THE HONORABLE THE PRESIDENT, dated 24th January 1862.

In the Act No. 19 of 1861, it is provided among other things in Clause 9 "that it shall be lawful for the Governor General in Council, from time to time to direct by order to be published in the Gazettes of Calcutta, Madras and Bombay, that Notes to an extent to be specified in the Order, not exceeding one-fourth of the total amount of issues represented by Coin and Bullion as herein provided, shall be issued at such Offices or Agencies as may be named in the Order, in exchange for Gold Coin of full weight of the Government of India, or for foreign Gold Coin or Gold Bullion computed at such rates, and according to such rules and conditions as shall be fixed by such Order, and which rates and conditions shall not be altered without six months' previous notice."

There is no doubt that this Clause was inserted with a view to the benefit which would be conferred upon the Banking interests by enabling them to deal more largely in Gold than they have hitherto been able to do, and upon the Commercial community by affording an opening to the introduction of that which is now the staple commodity of Australia, whence upwards of 10 millions of Pound Sterling in various forms are exported annually. It would be desirable in my opinion that a reference should be made to the Governor General in Council, requesting him to exercise the powers conferred upon him by the above quoted clause, and to name Madras as the office of issue where Gold may be received to the amount and under the reservations therein mentioned.

Before however the Government can be in a position to do this, two points must be determined:

1st.—What shall be the value of the Sovereign, or of a given weight of Standard Gold? that is, how many Rupees in Notes shall be paid for each Sovereign deposited?

2nd.—How can the Government secure itself against loss from any variation in the relative market value of Gold and Silver?

It may be that after having purchased Gold at a certain rate, the market price of the metal as compared with the Standard Silver Rupee will fall, and the Government having to purchase Silver to pay its Notes will lose.

It may be said that the variations in the relative value of Silver and Gold will fluctuate within certain limits above and below a sort of standard mean, and that the Government if it adopted that mean, would gain as much on one side as it lost on the other; but the probable effect of any measure encouraging the import of Gold would probably be to lower its market value, and Government in exchanging Gold for Silver to pay its Notes would be obliged to do so at market rates.

I do not myself believe that the loss would be great, if, in the first place, a proper value were fixed for the Sovereign; and in the second, if some understanding were come to with the Bank.

It is not necessary that I should attempt to discover the exact par, at the present price of Silver, of the Sovereign and the Rupee, or whether it should be taken at 10 Rupees 4 Annas or 10 Rupees 6 Annas: this can be considered fully hereafter. What I would suggest now is that a reference should be made to the Directors of the Bank for the purpose of ascertaining their views as to the measure generally; with special reference to the two points alluded to, that is, the value of the Sovereign, and the best mode of securing the Government against loss, should they be of opinion that the advantage to be gained by the adoption of the liberty given by the Provision of Clause 9, Act No. 19, is such as to warrant an application to the Government of India.

(Signed) W. T. DENISON.

No. 97. ORDER THEREON, 29th January 1862, No. 75.

In Section IX, Act No. 19 of 1861, it is provided "that it shall be lawful for the Governor General in Council from time to time to direct, by order to be published in the Gazettes of Calcutta, Madras and Bombay, that Notes to an extent to be specified in the Order, not exceed-

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29th January 1862.

"ing one-fourth of the total amount of issues represented by Coin and Bullion as herein provided,
"shall be issued at such Offices or Agencies as may be named in the Order in exchange for Gold
"Coin of full weight of the Government of India, or for foreign Gold Coin, or Gold Bullion com-
"puted at such rates, and according to such rules and conditions as shall be fixed by such order,
"and which rates and conditions shall not be altered without six months' previous notice."

2. There is no doubt that this clause was inserted with a view to the benefit which would be conferred upon the Banking interests by enabling them to deal more largely in Gold than they have hitherto been able to do, and upon the Commercial community by affording an opening to the introduction of that which is now the staple commodity of Australia, whence Gold to the value of upwards of 10 millions of Pounds Sterling in various forms is exported annually. The Government therefore think it very desirable that a reference should be made to the Governor General in Council, requesting him to exercise the powers conferred upon him by the above quoted clause, and to name Madras as a place of issue where Gold may be received within the amount and under the reservations therein mentioned.

3. Before however the Government can be in a position to do this, two points must be determined:

1st.—What shall be the value of the Sovereign, or of a given weight of Standard Gold? that is, how many Rupees in Notes shall be paid for each Sovereign deposited?

2nd.—In what manner can the Government secure itself against loss from any variation in the relative market value of Gold and Silver?

4. It may be that after having purchased Gold at a certain rate, the market price of the metal as compared with the Standard Silver Rupee will fall, and the Government having to purchase Silver to pay its Notes will lose.

5. It may be said that the variations in the relative value of Silver and Gold will fluctuate within certain limits above and below a sort of standard mean, and that the Government if it adopted that mean would gain as much on one side as it lost on the other; but the probable effect of any measure encouraging the import of Gold would probably be to lower its market value, and Government in exchanging Gold for Silver to pay its Notes would be obliged to do so at market rates. It is not necessary to attempt to discover the exact par, at the present price of Silver, of the Sovereign and the Rupee, or whether it should be taken—say, at 10 Rupees 4 Annas or 10 Rupees 6 Annas: this can be considered fully hereafter. For the present, the Government resolve that a reference be made to the Directors of the Bank for the purpose of ascertaining their views as to the measure generally, with special reference to the two points alluded to, that is, the value of the Sovereign, and the best mode of securing the Government against loss, should the Directors be of opinion that the advantage to be gained by the adoption of the liberty given by the Provision of Clause 9, Act No. 19, 1861, is such as to warrant an application to the Government of India.

(Signed) T. PYCROFT,
Chief Secretary

Exd. T. O'Connor.

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In the act n^o 19 of 1861
It is provided among other
things in clause 9 that
"it shall be lawful for the Gov^t
"Gen^l in council from time to
"time to direct by order to be
"published in the Gazette of
"Calcutta - Madras, & Bombay
"that notes, to an extent to be
"specified in the order, not
"exceeding one fourth of the
"amount of issues represented
"by coin and Bullion as
"herein provided, shall be
"issued at such office or
"agencies as may be named
"in the order, in exchange for
"Gold coin of full weight of the
"Government of India, or for
"foreign Gold coin or Gold
"bullion computed at such
"rates, and according to such
"rules and conditions as
"shall be fixed by such order
"and which rates & conditions
"shall not be altered without
"six months' previous notice."
There is no doubt that this clause
was inserted with a view to the
benefit which would be con-
ferred upon the banking
interests by enabling them to
deal more largely in Gold than
they have hitherto been able to
do - and upon the Commercial
community by affording
an opening to the introduction
of that which is now the staple
commodity of Australia
whence upwards of 10 millions
of Pounds sterling in various

forms are exported annually.
It would ~~be~~ desirable in
my opinion that a reference
should be made to the Gov^t
in Council representing
him to exercise the powers
conferred upon him by the
above noted clause, and
to name Madras as the
office ~~where~~ of India where
Gold may be received to
be accounted under the
Reservations therein men-
tioned -

Before however the Gov^t can
be in a position to do this
two points must be
determined -

1st what shall be the
value of the Sovereign, or
of a given weight of standard
Gold? That is how many
Rupees in notes shall be
paid for each Sovereign de-
posited?

2nd how can the Gov^t be
secure itself against loss
from any variation in
the relative market value
of Gold & Silver?

It may be that after having
purchased Gold at a
certain rate the market
price of the metal will
be paid with the standard
Rupee will fall, and
the Gov^t having to purchase
Silver to pay its notes

will lose -
It may be said that this
variation in the relative
value of Silver & Gold will
fluctuate within certain
limits above & below a
certain standard mean -
and that the Gov^t if it adopts
that mean, would gain
as much on one side as it
lost on the other - but the
probable effect of any mea-
sure encouraging the import-
of Gold would probably be to
lower its market value, and
Gov^t in exchanging Gold for
Silver to pay its notes would
be obliged to do so at market
value -

I do not myself believe that
the loss would be great; if in
the first place a proper value
were fixed for the Sovereign
and in the second of some
understanding were come
to with the Bank -

It is not necessary that I
should attempt to dis-
cover the exact par, at the
present price of Silver, of the
Sovereign at the Rupee - or
whether it should be taken
at 10 R. 6. or 10 R. 8.

This can be considered
fully hereafter - what I
would suggest now is that
a reference should be made
to the Directors of the Bank

for the purpose of ascertaining
their views as to the measure
generally; with special
reference to the two points
alluded to; that is the value
of the Sovereign - and the
best mode of securing the
Gov^t against loss. Should
they be of opinion that
the advantage to be gained
by the adoption of the
Liberty given by the Provision
of Clause 9. Act No 19.
is such as to warrant
an application to the
Gov^t of India -

24/1/62

[Signature]

Proceedings of the Madras Government.

Read the following Minute
by the Honorable the
President.

/ New enter 24 Jan'y 1862.

Order thereon 29th January 1862 No 45.

In Section IX Act
No 19 of 1861, it is provided
"that it shall be lawful
"for the Governor General
"in Council from time
"to time to direct, by order
"to be published in the
"Gazettes of Calcutta,
"Madras, and Bombay,
"that Notes to an extent
"to be specified in the
"order, not exceeding
"one fourth of the total
"amount of issues
"represented

MR

WCC

WCC

Tril 1862 Sept 1

Minute by the Hon^{ble}
the President.

of 24th Jan'y 1862
by 28th Jan'y 1862

Dec 81

Proposing that the
Govt of India be requested
to exercise the powers
conferred on them by clause
3 Act 19 of 1861 & name
Madras as the Office of
Issue where gold may
be received in exchange
for notes.

"represented by Coin, and
"Bullion as herein pro-
"vided, shall be issued
"at such offices or
"Agencies as may be
"named in the Order in
"exchange for Gold Coin
"of full weight of the
"Govt. of India, or for
"foreign Gold Coin, or
"Gold Bullion, compen-
"sated at such rates, and
"according to such rules
"and conditions as shall
"be fixed by such order,
"and which rates, and
"conditions shall not
"be altered without six
"months previous notice.

2. There is no doubt
that this clause was
inserted with a view
to the benefit which
would be conferred
upon the banking
Interests

Interests by enabling them
to deal more largely in
gold than they have hitherto been able to do,
and upon the Commer-
cial Community by
affording an opening
to the introduction of
that which is now the
staple commodity of
Australia - ^{Gold of the value of} whence up-
wards of 10 Millions
of Pounds Sterling in
various forms ^{is} ex-
ported annually - The
Govt. therefore think
it very desirable that
a reference should be
made to the Governor
General in Council, re-
questing him to exer-
cise the powers confer-
red upon him by the
above quoted clause,
and to name Madras
as a place of Issue
where Gold may be
received within the
amount

amount, and under the
Reservations therein men-
tioned. -

3. Before however the
Govt. can be in a po-
sition to do this, two
points must be determined.

1st What shall be
the value of the Sover-
ign, or of a given ex-
weight of standard
gold? that is, how
many Rupees in
Notes shall be paid
for each Sovereign
deposited?

2nd In what manner
can the Govt. secure
itself against loss
from any variation
in the relative Mar-
ket value of Gold
and Silver?

4. It may be that
after having purchased
Gold at a certain rate,
the

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the Market Price of the
metal, as compared
with the Standard or
Silver Rupee will fall,
and the Govt. having
to purchase Silver to pay
its notes will lose.

5. It may be said
that the variations in
the relative value of
Silver and Gold will
fluctuate within cer-
tain limits, above and
below a sort of stand-
ard mean, and that
the Govt. if it adopted
that mean would gain
as much on one side
as it lost on the other,
but the probable ef-
fect of any measure
encouraging the import
of Gold would proba-
bly be to lower its
Market value, and
Govt. in exchanging
Gold for Silver to pay
its

its notes would be
obliged to do so at
Market rates. It
is not necessary to at-
tempt to discover the
exact par, at the pre-
sent price of silver, of
the Sovereign and the
Rupee - or whether it
should be taken - say -
at 10 Rs. 4 As. or 10 Rs. 6
As., this can be con-
sidered fully hereafter.

For the present the
Govt. resolve that a
reference be made to
the Directors of the
Bank for the purpose
of ascertaining their
views as to the mea-
sures generally, with
special reference to the
two points alluded
to, that is, the value
of the Sovereign, and
the best mode of de-
fending the Govt. against
loss,

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loss, should the Directors
be of opinion that the
advantage to be gained
by the adoption of the
Liberty given by the
Provision of clause of
Act No 19-1861 is such
as to warrant an
application to the
Govt. of India -

J.P.

in the Bank 13 Despts 29th
Indra.

now sent for in part 3 Despts 29th 8 pms

L. M. Remarck

Wm. C. C.

Financial

Department 1862.

No. 45.

Proceedings of the Madras

Government.

Dated 29 March 1862.
The 174.

With reference to the No. 11 of 1861 which provides for the issue of Notes of the Bank in exchange for gold coin, and for it to make a reference to the 24. in Council respecting him to operate the same, conferred upon him by Sec 18 of the Act, & to name Madras as a place of issue where gold may be received within the amount and under the provisions therein mentioned.