M.R.O. 1—32,400—28-11-30.

MADRAS RECORD OFFICE.

Government of Madras.

Financial **DEPARTMENT.**

G.O. No.	98	Press Mis.
Dated	5-3-	18 67

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Not to be folded or roughly handled

Proceedings of the Madras Government, Financial Department,
5th March 1867.

No. 10. Read the following letter from the Secretary and Treasurer of the Bank of Bengal, to the Secretary to the Government of India ; dated Calcutta, 26th January 1867.

I have the honor to acknowledge the receipt of your favor of 23rd instant, forwarding copy Despatch from the Right Honorable the Secretary of State for India, No. 289, dated 15th December, acceding to the arrangement recommended by the Government of India, that the Bank should re-open drawing accounts with the Bank of England and Messrs. Coutts & Co., in order to facilitate the remittance of interests and dividends on Government Securities and Bank Stock belonging to constituents in the Agency Department.

2. The conditions which it has been considered prudent to attach to the concession will, you may rely, be closely observed by the Banks.

3. With reference to the restriction to bills having a usance of not more than three months, I do not apprehend that this is intended to apply to bills which the Bank must *purchase* for the purpose of providing funds in England, but only to our own drafts which may possibly be negotiated in the London market. Its application in the former case (the purchase of bills) would be most inexpedient, and indeed prohibitory inasmuch as the Bank would be unable to purchase bills drawn at the present recognized usance of four months. Bills at three months being rarely drawn by any seller, the Bank's purchases, even if obtainable, would be specially branded, and as such subject to such terms as the sellers might think fit to impose. Unless, therefore, we are privileged to purchase bills of a *recognized* usance the concession becomes a nullity, because we could not afford to give our constituents the benefit of current market rates, and the object with which the restoration of the privilege of drawing bills payable in England was sought would, to a great extent, be frustrated.

4. The usance of bills on England was lately limited by agreement of the Exchange Banks to four months, but Mercantile bills, payable six months after sight, and drawn under first class credits, are still available. So long as this limitation, however, is continued, the Bank would not ask permission to remit by paper of a longer term than four months, but should the Exchange Banks revert to their former practice, I would represent that the Bank should be permitted to follow any change which may be made.

5. Generally, I am authorized by the Directors to say that the currency of bills *drawn* by the Bank will be restricted to three months, and of bills purchased to a period not exceeding the fixed usance, and shall be glad to be informed that assent to the rendering of the Despatch by Government, as above interpreted, is obtained.

From the Secretary to the Government of India, to the Secretary and Treasurer of the Bank of Bengal ; dated Fort William, 13th February 1867, No. 883.

Financial Department.

In reply to your letter dated 26th ultimo, I am desired to inform you that the object of the limit imposed on the usance of bills supplied by the Bank to their constituents, was that the Bank's bills should not be floating in the London market for a longer period than was necessary. When the Bank has to provide for its remittances funds in England for the Agency Department by the purchase of bills, it may purchase such bills at the ordinary usance.

Copy of the foregoing forwarded to the Government of Madras for information and guidance, with reference to that Government's letter to the Secretary to the Government of India in the Home Department, No. 486, dated 24th December 1866.

(By Order.)

(Signed) J. E. COOKE,
Asst. Secy. to the Govt. of India.

the conditions which it has been

Proceedings of the Madras Government, Financial Department,
5th March 1867.

No. 11. ORDER THEREON, 5th March 1867, No. 98.

Ordered to be communicated to the Secretary and Treasurer of the Bank of Madras, with reference to his letter, dated the 6th December 1866, No. 47-1097, and also to the Accountant General.

(True Extract).

Chief Secretary.

To the Secretary and Treasurer, Bank of Madras.
" Accountant General.

Exd. J. Tulloch.

Bank of Bengal 3 P

Calcutta 26 January 1867.

The Secretary
to the Government of India,
Financial Department.—

Sir,

I have the honor to acknowledge the receipt of your favor of 23d Instant, forwarding copy despatch from the Right Honble the Secretary of State for India, No 289 dated 15th December, according to the arrangement recommended by the Government of India that the Bank should re-open drawing Accounts with the Bank of England and Messrs Coutts & Co in order to facilitate the remittance of interests and dividends on Govt Securities and Bank stock belonging to Constituents in the Agency Deptt—

The conditions which it has been

been considered prudent to attach to the concession will, you may rely, be closely observed by the Bank.

With reference to the restriction to bills having a usance of not more than 3 months, I do not apprehend that this is intended to apply to bills which the Bank must purchase for the purpose of providing funds in England but only to our own drafts which may possibly be negotiated in the London Market. Its application in the former case (the purchase of bills) would be most inexpedient and indeed prohibitory inasmuch as the Bank would be unable to purchase bills drawn at the present recognized usance of 4 months. Bills at 3 months being rarely drawn by any seller the Bank's purchases, even if obtainable would

would be specially branded and as such subject to such terms as the sellers might think fit to impose. Unless therefore we are privileged to purchase bills of a recognized usance the concession becomes a nullity, because we could not afford to give our Constituents the benefit of current market rates, and the object with which the restoration of the privilege of drawing bills payable in England was sought would to a great extent be frustrated.

The usance of bills on England was lately limited by Agreement of the Exchange Banks to 4 months but Mercantile bills, payable 6 months after sight and drawn under first class Credits, are still available. So long as this limitation however

however is continued, the Bank would not ask permission to remit by paper of a longer term than 4 months, but should the Exchange Banks revert to their former practice I would represent that the Bank should be permitted to follow any change which may be made.-

Generally, I am authorized by the Directors to say that the currency of bills drawn by the Bank will be restricted to three months, and of bills pur=
=chased to a period not exceeding the fixed usance, and shall be glad to be informed that assent to the rendering of the despatch by Government, as above inter=
=preted, is obtained.-

I have, &c.,
(Sd) George Dickson,
Secy. & Treasurer.

No 883

To

The Secretary and Treasurer
of the Bank of Bengal

Dept. Sir

In reply to your letter dated 26th ultimo, I am desired to inform you that the object of the limit imposed on the usance of Bills supplied by the Bank to their Constituents was that the Bank's Bills should not be floating in the London market for a longer period than was necessary. When the Bank has to provide for its remittances funds in England for the Agency Department by the purchase of bills it may purchase such bills at the ordinary usance.

William
February 1867

I have, &c.,
Sd E. H. Lushington
Secy. to the Govt of India

Copy of the foregoing forwarded to the Government of Madras for information and guidance with reference to that Govern=
=ments

Governments letter to the Secretary to the
Government of India in the Home Department
№486 dated 24th December 1866.-

pp.8.

By Order.

H. L. Corke

Apstt Secy: to the Govt of India

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13/2

Financial Dept
Financial Consultn
Rec'd 31st Dec 1866
Home Dept
Secy to Govt of India
Legislative Dept

Rec'd 2nd Jan 1867
Financial Dept
Financial Consultn
Rec'd 4th Jan 1867
Home Dept
Secy to Govt of India
Legislative Dept

Rec'd 24th Dec 1866 Pub. 4/1/67

№ 98 of 5 January 1867

Ordered to be communicated to the Secretary and Treasurer of the Bank of Madras, with reference to his letter dated the 6th December 1866 № 47/1097, and also to the Accountant General.

To the Secy & Treasurer Bank of Madras
Accountt General.

Disposed 12/3

Minute on Order.

10.11.