M.R.O. 1—77,006—8-6-37.

(1) Number of pages 12

(2) Date of repair 13-9-37

(3) Initials of the Referencer

MADRAS RECORD OFFICE.

Government of Madras.

Financial DEPARTMENT.

G.O. No. 68	Press Mis.
27-28	
Dated 10-2-	18 68.

27-28 7/8

Not to be folded or roughly handled

No. 27. Read the following letter from the Secretary and Treasurer, Bank of Madras, to the Chief Secretary to Government, Fort Saint George ; dated Madras, 20th January 1868, No. 50-141.

I have the honor to acknowledge receipt of Proceedings of the Madras Government, Financial Department, No. 576, dated 21st December 1867, containing an implied direction for the encashment of Currency Notes at the Branches of the Bank at par, to the full extent of the Government balances at such Branches, and a positive order for the Bank to refuse all Notes in excess of such balances if they cannot conveniently be cashed at par.

2. I am desired by the Directors, in reply, to point out that these orders are directly at variance with the terms of the Bank's agreement with Government, which declares, the "Bank "shall be at liberty to employ for its own benefit and profit the whole of the balances, however "large, for the time being appearing in the accounts of the said several Branch Banks which are "now or hereafter may be established as Government balances."

3. The balances kept by Government at the Tuticorin, Cochin, and Ootacamund Branches are very inconsiderable, while the demand for silver at these places is very great indeed. No obstacles are placed in the way of cashing Currency Notes to travellers, but the order is apt to mislead the commercial public into the belief (or legitimate inference) that remittances for the purchase of cotton, oil, coffee, &c., may be made from Madras in Currency Notes convertible into silver without loss. To the three stations named—all very distant from Madras—the Bank has constantly to transmit very large sums in silver at considerable expense and risk, and the effect of this order would in all likelihood be greatly to diminish, if not altogether to annihilate, the profits of the Branches, and might lead to their ultimate withdrawal.

4. The Directors would draw the attention of Government to the provision of the Currency Act under which the Notes of one Circle are not payable beyond the limits of that Circle, except at the chief office in Madras.

5. I am also desired to remark that the instructions to refuse payment of all excess Notes, referring the holders to the Office of the Circle of Issue, would in all probability only have the effect of sending such holders to Native money dealers, thus interfering with the ordinary business of the Branches.

6. The Directors have every desire to promote the free circulation of Currency Notes, but they would earnestly recommend to the Government of India a modification of this Order.

No. 28 To the Secretary to the Government of India, Financial Department, dated Fort Saint George, 10th February 1868, No. 68.

Adverting to your letter, dated the 30th November last, No. 2807, intimating that the authorization of this Government to the Branch Banks at Tuticorin, Cochin, and Ootacamund, to charge discount for cashing Currency Notes when the Government funds in their possession are not sufficient for the purpose, was considered by the Governor General in Council to be objectionable, and requesting that the Branch Banks might be informed that when the sum of Currency Notes presented to them for encashment exceeds the amount of the Government funds in their possession, and the excess Notes cannot be conveniently cashed at par, they must be refused, and the holders referred to the Office of the Circle of Issue, I am directed by the Governor in Council to state that a copy of the letter was communicated to the Directors of the Bank of Madras, and they were requested to issue the necessary instructions to the Branch Banks specified.

2. I am now to submit, for the consideration of the Governor General in Council, a copy of a letter from the Secretary and Treasurer of the Bank, dated 20th ultimo, No. 50-141, pointing out that the orders of the Government of India are directly at variance with the terms of the Bank's agreement* with Government which prescribes, that "the Bank shall be at liberty to employ for its "own benefit and profit the whole of the balances, "however large, for the time being appearing in "the accounts which are now, or hereafter may be established as Government balances."

* Enclosed. Section 13.

Proceedings of the Madras Government, Financial Department, 10th February 1868.

3. The Secretary and Treasurer shows that the Government balances in the Branch Banks at Tuticorin, Cochin, and Ootacamund are small, while the demand for silver is very great, and he urges that the effect of the orders of the Government of India would be to diminish the profits of the Branch Banks, and probably lead to their being ultimately closed. The Directors, the Secretary adds, have every desire to promote the free circulation of Currency Notes, but they would earnestly recommend a modification of the orders of the Government of India,

(Signed) R. S. ELLIS,
Chief Secretary.

Exd. J. H. Burns.

No 50/1241

Bank of Madras.

Madras 20th January 1868

To

The Chief Secretary to Government
Fort St George.

Sir,

1. I have the honor to acknowledge receipt of Proceedings of the Madras Government Finance Department No 576 dated 21st December 1867 containing an implied direction for the encashment of Currency Notes at the Branches of the Bank at par, to the full extent of the Government balances at such Branches, and a positive order for the Bank to refuse all Notes in excess of such balances if they cannot conveniently be cashed at par.

2. I am desired by the Directors in reply to point out that these orders are directly at variance with the terms of the Bank's agreement with Government which declares the "Bank shall be at liberty to "employ for its own benefit and profit, the "whole of the balances, however large, for the "time being appearing in the accounts of the "said several Branch Banks which are "now or hereafter may be established as "Government balances."

3. The balances kept by Government at the Tuticorin, Cochin, and Ootacamund

Branches are very inconsiderable, while the demand for Silver at these places is very great indeed. No obstacles are placed in the way of Cashing Currency Notes to Travellers, but the order is apt to mislead the commercial public into the belief (or legitimate inference) that remittances for the purchase of Cotton Oil, Coffee &c. may be made from Madras in Currency Notes convertible into Silver without loss. To the three stations named - all very distant from Madras - the Bank has constantly to transmit very large sums in Silver at considerable expense and risk, and the effect of this Order would in all likelihood be greatly to diminish, if not altogether to annihilate, the profits of the Branches, and might lead to their ultimate withdrawal.

4. The Directors would draw the attention of Government to the provision of the Currency Act under which the Notes of one Circle are not payable beyond the limits of that Circle, except at the Chief Office in Madras.

5. I am also desired to remark that the instructions to refuse payment of all excess notes, referring the holders to the office of the Circle of Issue would in all probability only have the effect of sending such holders to native money dealers, thus interfering with the ordinary business of the Branches.

6. The Directors have every desire to promote the free circulation of Currency Notes, but they would earnestly recommend to the Government of India a modification of this Order.

I have the honor to be
Sir
Your most obed.t Servant
J. W. Sol
Secretary & Treasurer

With copy of the Agreements

Financial Department.

No. 68.

To

The Secretary to the Government
of India,
Financial Department

Sir,

Adverting to your letter dated the 30th November last No. 2807, intimating that the authorization of this Government to the Branch Banks at Tuticorin, Cochin and Cotacammund, to charge discount for Coining Currency Notes when the Government funds in their possession are not sufficient for the purpose, was considered by the Governor General in Council to be objectionable, and requesting that the Branch Banks might be informed that when the sum of Currency Notes presented to them for

Encashment

Rec: 21st Dec: 87 - 80-81 Financial 1880 Collection &c

Financial

To the Secretary to Government
Bank of Madras

No 20 dated 30th January 1880

No 25

Requesting a particular of the Notes issued by the Encashment of which the Note at the Branches of the Bank at Tuticorin, Cochin & Cotacammund was exceeded.

C.S.E. No 10.

25

encashment exceeds the amount of the Government funds in their possession and the excess notes cannot be conveniently cashed at par, they must be refused, and the holders referred to the office of the Circle of Issue, I am directed by the Governor in Council to state that a copy of the letter was communicated to the Directors of the Bank of Madras, and they were requested to issue the necessary instructions to the Branch Banks specified.

2 I am now to submit for ~~the~~ consideration, ~~the proposal~~ ~~for a Branch in Canara~~, a copy of a letter from the Secretary and Treasurer of the Bank dated 20th ultimo A. 69/142 pointing out that the Orders of the Government of India are directly at variance with the terms of the Bank's agreement with Government which prescribes that "the Bank shall be at liberty to employ for its own benefit and profit the whole of the balances however large, for the time being appearing in the accounts which are now or hereafter may be established as Government balances."

3 The Secretary and Treasurer shows that the Government balances in the Branch Banks at Tuticorin, Cochin and Rotacamund are

of the Govt. Journal in question.

enclosed /
Secy. 13/

I have not expressed in this draft any opinion - the ruling of the Govt of India in regard to ~~the~~ carrying notes is in accordance with the ~~exceptions~~ Rules.
On the other hand the Banks are given full powers to use the Balances, in the condition of not overdrawing their accounts and keeping a margin at their credit.

small while the demand
for silver is very great,
and he urged that the
effect of the orders of the
Government of India would
be to diminish the profits
of the Branch Banks
and probably lead to their
being ultimately closed.
The directors, the Secretary
added, have every desire
to promote the free cir-
-culation of Currency
Notes, but they would
earnestly recommend a
modification of the orders
of the Government of
India.-

No 50 to follow-

Fort St George.
10 July: 1868

Fin[l] 1868. Department.

No. 68.

To

The Secretary to the
Government of
Fin[l] Department.

4th Jan 109 — 175

Dated 10 Feb 1868.

Forwarding for consideration a letter from the Bank of Madras requesting a modification of the orders of the Government of India, directing the encashment of Currency Notes at the Branch Banks at Tuticorin, Cochin and Cottacummul at par.

27. 20

C 5556
2 10.