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MADRAS RECORD OFFICE.

Government of Madras.

Financial DEPARTMENT.

G.O. No. 57 Press / Mis.

Dated 27 1 18 89.

95-97 9/10

Not to be folded or roughly handled

Proceedings of the Madras Government, Financial Department,
27th January 1869.

No. 95. Read the following letter from the Mint Master, Madras, to the Chief Secretary to Government, Fort Saint George ; dated Madras, 21st January 1869, No. 363.

I have the honor to forward the correspondence, as per margin, received this day from the Financial Secretary to the Government of India, and, in accordance therewith, to submit an indent, in duplicate, on England, for punch and matrix dies for gold pieces, which I beg to suggest the Right Honorable the Secretary of State may be requested to forward as expeditiously as practicable.

Letter from Secretary to Government of India, No. 223, dated 9th January 1869.
Letter from Secretary to Government of India, No. 222, dated 9th January 1869.
Letter from Acting Secretary to Government of Bombay, No. 1677, dated 18th November 1868.
Copy of a letter from Secretary and Treasurer, New Bank of Bombay, Limited, No. 4614, dated 12th November 1868.

2. I beg that the enclosed correspondence may be returned.

From the Secretary to the Government of India, Financial Department, to the Mint Master, Madras ; dated Fort William, 9th January 1869, No. 223.

I am directed to request that, as it is possible that sovereigns may be paid, in considerable numbers, into the Currency Departments through the Presidency Banks, under the orders contained in the accompanying correspondence, you should be prepared to relieve the Currency Department from the gold as it accumulates, paying them for each sovereign at the prescribed rate of Rupees 10-4-0 and to coin the sovereigns into 15, 10, and 5 Rupee gold pieces, according to the standard laid down in Section 7, Act XVII. of 1835.

2. If you should not have dies in your possession to make these coins, they should be indented for from England without delay, of the same pattern and size as those which have been already ordered for the Calcutta Mint.

From the Secretary to the Government of India, Financial Department, to the Secretary to the Government of Bombay ; dated Fort William, 9th January 1869, No. 222.

I am directed to acknowledge the receipt of your letter, No. 1677, dated 18th November, forwarding a copy of a letter from the Secretary and Treasurer of the New Bank of Bombay in which the Government of Bombay concur.

2. In reply I am desired to observe that His Excellency the Governor General does not anticipate any possible inconvenience to the Bank from the Notification of October 1868, as it will be always open to the Bank to forward sovereigns, when received in payment of Government dues at the rate of Rupees 10-4-0 to the Currency Department, and to receive in exchange, at the same rates, notes or silver, or such proportions of each as they may desire. As it is not the present intention of Government that these sovereigns should be paid away to the public, but provisionally accumulated up to a moderate and manageable amount in the Mint, for the purpose of being coined in 15, 10, and 5 Rupee gold pieces under Act XVII. of 1835, the Bank will, of course, avail themselves of this opportunity of exchanging gold for notes or silver, whenever any appreciable amount of gold is paid into the General Treasury.

3. I am to add that at the market prices which sovereigns have recently commanded, there does not seem to be any immediate apprehension of inconveniently large quantites of this coin being paid in. If such emergency should arise the Government would, at the time, decide what steps should be taken.

4. The abovementioned Notification, I am desired to point out, relates only to Government Treasuries, and there is no intention whatever of requiring the Bank, in its capacity as the Government Treasury, to undertake any duties, or to undergo any inconveniences, beyond those actually provided for in the Agreement.

From the Acting Secretary to the Government of Bombay, to the Secretary to the Government of India, Financial Department ; dated Bombay Castle, 18th November 1868, No. 1677.

I am directed by the Right Honorable the Governor in Council to forward, for the consideration of the Government of India, the accompanying copy of a letter from the Secretary and Treasurer of the New Bank of Bombay, and to state that this Government concur in the views therein expressed.

From the Secretary and Treasurer of the New Bank of Bombay, Limited, to the Chief Secretary to Government, Financial Department, Bombay; dated Bombay, 12th November 1868, No. 4614.

The attention of my Directors has been called to Notification, No. 3287, dated Simla, 28th October 1868, in which the Governor General of India in Council is pleased to direct that sovereigns, half-sovereigns, and gold-mohurs, shall be received in all the Treasuries of British India in payment of sums due to the Government as the equivalent of Rupees 10-4-0, Rupees 5-2-0, and Rupees 15, respectively.

2. By the agreement under which the Bank now carries on the business of paying and receiving money on behalf of the Government of Bombay, formerly transacted at the Government Treasury at Bombay, provision is made, amongst other things, that, for the purpose of ascertaining the Government cash balance, sovereigns and half-sovereigns shall be reckoned or included.

3. The practice has been to value these coins at Rupees 10 and Rupees 5, respectively.

4. The clause was intended to utilise such sovereigns as might come into the possession of Government from natural causes, and as it was barely possible that the value at which the bank has allowed credit for them to Government could be higher than that current in the open market, the bank practically ran no risk of locking up its funds in an inconvertible and non-interest-bearing security; while it is believed that neither party to the agreement contemplated the deposit, at any time by Government, of a sufficient number of sovereigns to interfere with the working of the bank.

5. The present order of the Governor General of India applies to all Treasuries. No communication on the subject has been received by the bank from Government, nor are my Directors aware how Government expect the bank to treat sovereigns received by it on Government account under the Notification already quoted.

6. My Directors are aware that the Governor General of India in Council has the power under Act XIX. of 1861, an Act to provide for a Government Paper Currency, to direct that notes, to an extent not exceeding one-fourth of the total amount of issues represented by coin and bullion, shall be issued at such Offices or Agencies of issue as may be named in the order in exchange for gold coin, &c.

7. They do not know whether the Bombay Office of the Currency Department has been, or shall be, authorized to issue notes in exchange for gold coin under the present Notification.

8. My Directors feel their present position to be so anomalous that they desire to submit it for the consideration of Government.

9. They will not, at present, touch the question whether sovereigns deposited by Government under Notification No. 3287 of 28th October, are sovereigns for which the present agreement provides, or whether the rate at which the Notification provides that Government shall receive sovereigns is binding upon the bank.

10. They desire to afford Government every facility in their power which shall not interfere with the working of the Bank, or jeopardize the interests of the shareholders.

11. And they wish to point out that the Notification, No. 3287, already referred to, does not constitute the sovereign and other gold coins a legal tender at the rates at which Government agree to accept them in payment of dues. It provides that sovereigns, &c., when available at any Government Treasury, shall be paid at the same rates as they are received to any person willing to receive them in payment of claims against the Government. But it contains no provision whatever for getting rid of sovereigns, and other gold coins specified, should they accumulate to an inconvenient extent, or for an issue of notes in exchange for them.

12. My Directors would remind you that, when gold-mohurs were received in payment of Government dues, such a number were amassed that the Government order sanctioning their receipt was cancelled, and about one-half of those on hand were shipped to England.

13. And that more recently when Government sanctioned the payment of dues to it in sovereigns at Rupees 10 each, and the Currency Department was empowered to issue notes on their deposit, the full amount to which advances could be made under Act XIX. of 1861 was very speedily issued, further tenders were refused, and a very large number of sovereigns were ultimately shipped to England.

Proceedings of the Madras Government, Financial Department,
27th January 1869.

14. Putting, therefore, entirely on one side the influence which Notification No. 3287 of 1868 will have upon the course of trade at this Presidency, and arguing solely from what has occurred in former years, it is evident that when Government engage to receive gold coins not being current coins in payment of dues at a fixed rate, or to issue notes upon their deposit, the fixed value they thus acquired may induce a coinage or import to an extent sufficient to choke the usual channels through which they circulate, or are absorbed.

15. The character of the trade of Bombay is such as to lead to the import, at times, of very large sums of bullion in a shape the least costly, and most easily convertible.

16. In consequence of Notification No. 3287 of 1868, sovereigns may, at any time, offer such advantages as to lead to a very large import. In Bombay, as well as elsewhere, means will easily be found to tender them to Government in payment of dues, or sales in the market will readily be made at a price slightly under that at which Government engage so to receive them in view to their eventual transfer to Government.

17. There is, practically, no limit to the extent to which sovereigns may be tendered to Government in payment of dues. Opium presents a very large and regularly available opportunity.

18. My Directors are aware that bullion remittances, to the extent of nearly one million sterling, have been made to Bombay by a single steamer. It is true that such an operation is unlikely to recur immediately, but it is one against which, in the interest of the shareholders, they must provide.

19. Had sovereigns been made a legal tender at Rupees 10-4-0, Government would have been on equal terms with the public, for it could equally have made use of its receipts in gold for re-issue.

20. Now, as in former years, the consequence of Government Notification No 3287 of 28th October 1868, may be to cause an accumulation of sovereigns on the hands of Government, for which there will be no demand.

21. My Directors would mention that, at the present moment, they give credit to Government for over nine lakhs worth of copper coins, which, although current coin of the realm, are not available to the Bank in payment of claims against it.

22. Were the Bank to give Government credit for sovereigns received under Notification No. 3287, dated 28th October 1868, sooner or later a considerable number would be certain to accumulate in the Bank's Treasury.

23. One mode by which Government reimburses the Bank for its management of the Treasury, is by engaging to maintain a minimum cash balance of twenty-five lakhs, or to pay interest on the daily sum by which it may fall below that minimum.

24. I have pointed out that, at present, the Government minimum is practically less than two-thirds of what it engages to keep, because the remainder is in copper coins which do not circulate.

25. An accumulation of sovereigns might deprive the Bank of any advantage whatever from the minimum cash balance which Government undertakes to maintain, and so reduce the payment by Government for the duties it performs: a payment which is already admitted to be small enough.

26. But the question goes far beyond a reduction of the allowances made to the Bank for managing the Government business; it may affect the very stability of the Bank, for it is quite possible to suppose that, with a sufficient number of sovereigns in its coffers to pay at Rupees 10-4-0 each, every liability, it could not discharge in current coin the cheques of its constituents for the balances at their credit.

27. My Directors desire, therefore, that you will undertake the earliest opportunity to bring the question to the notice of His Excellency the Governor in Council, and to ascertain, for the information of my Directors, whether Government expect the Bank to give it credit in account for all sovereigns, half-sovereigns, and gold-mohurs, sent in at Rupees 10-4-0, Rupees 5-2-0, and Rupees 15, respectively, and if so, how it will relieve the Bank from a stock of inconvertible coin should an accumulation take place, and at what point it will deem interference necessary.

28. It seems to my Directors necessary that, in the interests of the shareholders of the Bank, these points should be definitely settled.

Proceedings of the Madras Government, Financial Department,
27th January 1869.

29. My Directors have endeavoured to explain the dangers which may menace the Bank from the operation of Notification No. 3287 of 28th October, and which they cannot contemplate without grave apprehension. They have also asked you to be good enough to obtain the sense of Government on the three points which must decide the course they will pursue under present circumstances. But they desire very respectfully to observe that all inconvenience, even from the operation of the Notification, may be at once obviated by declaring the gold coins, therein referred to, a *legal tender*. The Honorable Mr. Massey in a Memorandum, dated 2nd February 1866, on the working of the Paper Currency Act, observed. "Two points, however, may be considered as determined. The one is that nothing short of the recognition of the sovereign, or some other denomination of gold coin, as a legal tender will suffice; and secondly, that the result of this recognition must be sooner or later the establishment of the more precious metal as the ruling standard." The question, therefore, has already been considered, and it is significant that the Honorable Mr. Massey's remarks were penned after the acknowledged failure of the experiment to introduce gold as part of the circulating medium.

No. 96. ORDER THEREON, 27th January 1869, No. 57.

Ordered that the Indent and correspondence, received with the foregoing letter, be transmitted to the Under Secretary of State for India.

(True Extract

Chief Secretary.

To the Mint Master, Madras.

Ed. J. Wright.

Govt. of India.

FINANCIAL.

THE MINT MASTER,

Madras.

Dated January, 27th.

Rect.

Recd.

G. O., 27th January 1869, No. 57.

JANUARY.
Nos. 95–97.

Directing that the correspondence received with the Mint Master's letter, and the indent, in duplicate, for dies required for the use of the Madras Mint, be transmitted to the Secretary of State.

Up 222 93

To

The Secretary to the Govt. of
Bombay.

Finl Deptt

Sir,

I am directed to acknowledge the receipt of your letter No. 1677 dated 1st November, forwarding a copy of a letter from the Secretary and Treasurer of the New Bank of Bombay on which the Government of Bombay concur.

2. In reply I am desired to observe that His Excellency the Governor General does not anticipate any possible inconvenience to the Bank from the Notification of Act. XX 1868, as it will be always open to the Bank to forward Sovereigns when received in payment of Government dues at the rate of Rs. 10-4 to the Currency Department and to receive in exchange at the same rates Notes or Silver, or such proportions of each as they may desire. As it

it is not the present intention of Government that these Sovereigns should be paid away to the Public but provisionally accumulated up to a moderate and manageable amount in the Mint for the purpose of being coined in 15, 10 and 5 Rupee Gold Pieces under Act XVII of 1835, the Bank will of course avail themselves of this opportunity of exchanging Gold for Notes or Silver whenever any appreciable amount of Gold is paid into the General Treasury-

3. I am to add that as the market prices which Sovereigns have recently commanded, there does not seem to be any immediate apprehension of inconveniently large quantities of this coin being paid in. If such emergency should arise the Government would at the time decide what steps should be taken-

4. The above-mentioned Notification, I am desired to point out, relates only to Government Treasuries, and there is no intention whatever of requiring the Bank in its capacity as the Government Treasury to

to undertake any duties or to undergo any inconveniences beyond those actually provided for in the Agreement.

Fort William
The 9th January
1869

I have &c
W. E. B. Cushington
Secy: to the Govt of India

/True Copies/

W. W. Williamson
Asst Secy to the Govt of India

Rec'd 10/5/39
Ans. 21 Sep/39 Q. 505.

No 228

To,

The Mint Master
Madras.

Fin. Dept.

Sir,

I am directed to request that as it is possible that Sovereigns may be paid in considerable numbers into the Currency Department through the Presidency Banks under the Orders contained in the accompanying correspondence, you should be prepared to relieve the Currency Department from the Gold as it accumulates, paying them for each Sovereign at the prescribed rate of Rs. 10-4 as, and to coin these Sovereigns into 15, 10 and 5 Rupee Gold Pieces according to the standard laid down in Sec: VII. Act XVII of 1835.

2 If you should not have dies in your possession to make

make these Coins, they should be indented for from England without delay, of the same pattern and size as those which have been already ordered for the Calcutta Mint.

I have the honor to be,
Sir,
Your most obed.t Servant

Fort William
9th Jany
1869

Ed. C. Levinge
Secy. to the Government of India

Rec.d 28/1

Transcribed 15/2/69 [illegible]

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MADRAS MINT HER MAJESTY'S

No. 363. 21st January 1869.

From Colonel J. Carpendale R.E.
Mint Master

To The Chief Secretary
to Government
Fort St. George

Sir,

I have the honor to forward the Correspondence as per Margin received this day from the Financial Secretary to the Government of India, and in accordance therewith to submit an Indent in duplicate on England for Pinchwan Matrice Dies for Gold pieces, which I beg to suggest the Right Honble the Secretary of State may be requested to forward as expeditiously as practicable.

2. I beg that the enclosed correspondence may be returned.

I have the honor to be,
Sir,
Your most obedient Servant,

J. Carpendale
Mint Master

Letter from Secy. Govt. of I. No. 223 d/9 Jany. 69
do do No. 222 do do
do from Actg. Secy. Govt. of Bombay No. 1677 d/18 Novr. 1868.
Copy do from Secy. & Treasurer New Bank of Bombay Limited No. 4614 d/12 Novr. 68.

BP

Financial
1869 - Despatch

From
The Mint Master
Madras

To
The Chief Secretary
to Government
Fort St. George

Dated 21st January 1869.
Rec'd 25th January 1869.

No 363

3 Encs

Forwards Correspondence from the Secretary Govt. of India and submits an indent in duplicate on England for Punch & Matrix Dies for Coining Gold.

With an order

Indent for Punch & Matrix Dies for Coining Gold.

Ordered that the Indent be Correspondence received with this forwarding Letter be transmitted to the Secretary of State for India in Council.

By Rl Honble Sir Stafford Northcote

...rt. of 1869 Madras.

Financial

The Mint Master.
Madras.

...ated Jany 27.

...ceed.

G. O. 27 Jany 1869 No. 67.

Nos. 95—97.

Directing that the correspondence received with the Mint Master's letter cited the Enclosure, in duplicate, for this requires for the use of the Madras Mint; be transmitted to the Secy: of State.

S/C