

の範圍内に於て送金することが出来ず、賠償年金が獨逸中央銀行に預金された儘累積し五十億マールに達しましたらば、獨逸は最早其支拂を停止することが出来ず。

終りに注意すべきはドーズ委員會は賠償の總額を決定することが出来ませんでした、唯五ヶ年に亘る年金を定めたに過ぎません。尤も五ヶ年後に於ける規定としては獨逸の繁榮の程度より其年金を増加する事とは定めて置きました。即ち繁榮指數なるものを作り、人口の増殖、歳出入の増加、貿易の増加、ある物品の消費の増加等を指數にとり、其標準年金を増加するの制度を設けて置きました。共、何十年間支拂ふべきかを決定して居りませんから、賠償總額は決定して居ない譯であります。

獨逸は勿論のこと聯合國政府も本案を鵜呑みに致しました。獨逸

國內に於ては直ちに諸般の立法を數ヶ月中に整へ、ドーズ案の要求する制度に引直しました。獨逸外債も英米諸市場の好意に依り成立しました、所謂ドーズ外債であります。茲に通貨準備の基礎確定し通貨は安定しました、未だ自由兌換券ではありませんが金と或る關係を持つ所の通貨となりました。

賠償支拂總管理人には Parker Gilbert なる當年三十三歳の米國青年が任命されました、賠償管理の總ての機關よく働き賠償支拂も誤りなく行はれました。於茲賠償問題は一時の小康を得たのである、ドーズ委員會の功績は實に偉大なるものと云はねばなりません。

乍然ドーズ案はもとより完全なる最終的の解決ではありません。當時極端に紊亂したる獨逸の財政經濟に對し一時の應急手當でありました。ドーズ委員會の報告にも賠償問題は他日最終且つ完全なる

解決を要するものたるを豫期し、唯本案の實行により獨逸が信用を快復し、この最終解決に到着するの途を開くに便利なることを希望することを結論として居ります。

一九二八年はドーズ年金の第五年目に當ります、云ひ換へればドーズ年金の最終年度即所謂最終完全なる解決を試む可き時が到着したのであります。

第十一、ヤング委員會

英佛を始め關係國の政治家はドーズ委員會の成功に味を占めまして又専門委員會を考へ出しました。即ち一九二八年九月十六日ジエネバに於ける決議に基きまして。政府と獨立の専門家を以て委員會を組織し、英佛伊白の四ヶ國は勿論米國の加入を勧誘することは前回同様であります。唯前回と異なる所は債務國たる獨逸を加入せしめ

たること、及び日本が始めて此種の會議に加入を許されたことでもあります。米國よりはドーズ委員會に於て事實上の計畫者であつた Owen D. Young の承諾を得たこと、及び Morgan, Lamont 氏を誘ひ得たることは聯合國の成功でありました。蓋し前回同様今回も米國殊に米國の財界を代表する權威を加入せしめねば委員會の成功は覺束ないからであります。

本委員會は一九二九年二月十一日偶然にも我が紀元節を以て巴里に開會し Owen D. Young を懇請して委員長に仰ぎましたから、此の委員會は世にヤング委員會と申します。

委員會の目標とする所は其權限よりして左の通りでありました。

第一、今回は最終の解決であります。一度決定すれば最早變更する必要無き解決でなくてはなりません。従つて賠償總額、其年

金、其年數、其支拂方法を定むるに當つては、總べて獨逸の經濟力に應じ其負擔に耐ゆる範圍内に定むべきは勿論のこと、而も獨逸が眞に誠意を以て納得し、此金額、此負擔ならば責任を以て其支拂履行を爲し得べしと覺悟の出来る様なものでなくてはなりませぬ。蓋し誠意は義務履行の源泉であります。

第二、最終解決である以上は其支拂なるものは獨逸の全責任を以てするものでなくてはならぬ。ドーズ案の如く獨逸が自國通貨を以て自國の中央銀行に拂込むの責任丈では未だ不満足であります。海外に送金する責任も獨逸に負擔させねばなりません。

第三、最終解決である以上は獨逸の賠償支拂は商業金融界の支拂義務と同様圓滿に規則正しく行はれる性質のものでなくてはならぬ。又斯くすることの出来る道と與へてやらねばならぬ。言

ひ換へますれば今迄の様な政治的債務であつたものを今度は商業的、金融的債務に變質させねばならぬ、今迄の様に賠償支拂を處理するに債權國が任命したる賠償委員會、及び之を中心として大小數多の半ば政治的機關の監督の下に獨逸債務の履行を確保して居た事態を改め、最早斯くの如き監督機關に依頼すること無くして普通商業金融の債務の様に自働的に支拂はれる様に仕組まねばなりません。賠償を政治的に取扱はず經濟的に取扱はねばならぬ。即賠償問題の經濟化である。斯くの如くして將來の政治上の紛糾を避け平和を阻害する原因を根絶する必要があります。

斯くの如き三つの目標を以て此委員會は始まつたのであります。

此の委員會は完全に其目的を達し賠償の最終的解決案を立てました。

この目的を達する迄の四ヶ月間には非常な困難に遭遇し、又屢々決裂の危機を孕みました。此の間の迂餘曲折を詳しく御話申上げるには茲に時間はありません。Owen D. Young の高潔なる人格温厚篤實の資質、絶倫の忍耐力、豊富なる頭腦は幾多の困難を切抜けて遂に全會一致の解決案に纏りました。此案に委員長の名を冠してヤング案と稱するのは實に偶然ではありません。

本講演はヤング案の内容をお話するのが目的ではありません。其案中最も重要な部分である國際決済銀行のお話に止めねばなりません。遺憾ながら直に此の銀行のお話に移ります。

a 獨逸賠償年金の證券化

Commercialization of German Annuities

今回の解決に於ては獨逸賠償年金は海外拂の義務とせねばならぬ。

海外拂とすれば其金額には自然の經濟上の制限があります。依て適當なる解決を得んには一方に於ては獨逸も其國力の許す限り、可成奮發して多額の年額を覺悟せねばならず、他の一方に於ては債權國も其輿論の忍び得る限り可成讓歩して債權額を負けてやらねばならぬ。獨逸をして奮發せしむるには支拂の方法を工夫し、其支拂が獨逸の經濟發達を阻害せぬ様な、其通貨爲替の安定を妨げぬ様な途を與へてやる必要があります。

又債權國側をして可成讓歩忍耐せしむるには、其債權の額は減縮しても其債權に確實性を與へてやる必要があります。換言すれば數量に於ては負けて遣つても其實質に於て改良して遣る、金額は少くしても此金額は必ず間違ひなく取れる金に引き直してやる必要であります。即ち獨逸年金の商業化であります、政治的債

務を商業的債務に引直すことでもあります。政治的債務は當てにならぬ、商業的債務は確實である。我國の昔に流行したる士農工商の觀念から云へば、武士の債務は商人の債務より確實の様に思はれませうが、今日發達したる經濟界の觀念より云へば、債務は政治的である間は何時棒引かれるか分らぬ、商業的債務となつて始めて其支拂履行確實となります。

然らば如何にして獨逸賠償年金を商業的債務に變形させますか、此年金の元本を有價證券に引直します。即獨逸政府をして此年金を元利支拂の基金として公債を發行せしめ、此の公債を海外市場に賣出させます。賣出したる公債の拂込金は聯合國即ち債權國政府に於て收納し、其賠償要求の辨済に充當します。然る時は市場に發行せられたる金額に關する限りは聯合國の債權は消滅し、獨逸政府は公

債所有者に對し債務を負擔することゝなります。換言すれば賠償債務の肩換であります。獨逸政府と舊敵國政府との賠償關係は消滅し、獨逸政府と海外市場との金融的商業的關係となります。債權國は幾十年を待たずして少くとも一部の元本を確實に受取ることが出來ますから、賠償總額は幾分負けてやつても宜しい。又此部分に關しては獨逸政府は海外市場に於ける公債所有者に對する債務を負ふことゝなりますから、決して不履行を敢てして其信用を自から傷けんとする氣遣ひはありません。

依て委員會は一方に於ては獨逸支拂の方法を工夫する爲に分科會を設けると同時に、他の一方に於ては獨逸年金を商業化する準備方法を工夫する爲に相談會を任命します。此相談會には委員長の指名により七ヶ國より選ばれ、Morgan, Lamont, Lord Revelstoke, Sir Charles

Addis の如き投資市場に現實仕事を爲して居る國際金融界の權威を以て組織しましたが、此相談會より本題の國際決済銀行が生まれました。

蓋し相談會の協議中何人も氣づきましたる事は先づ

第一、獨逸賠償金を證券化するとせば獨逸政府と聯合國債權國との間に受託者 Trustee が必要である。獨逸をして他日公債に換はり得べき證書を發行せしめ、之を保管管理する信託機關が必要である。

第二、市場の状況に應じ愈々海外市場に獨逸公債を發行する場合に、獨逸政府と發行銀行との間に立ちて仲介周旋の職を執る機關があれば便利である。又事頗る圓滿に運ぶであらう、而して此職務は右の信託機關に擔任せしむるは當然である。

第三、又公債發行後に於ける元利の支拂に關しては、獨逸政府と

公債所有者との間に於ても此信託機關が之を取扱ふことゝなれば、海外市場は一層安心するであらう。隨て公債發行も其成功疑無しと云ふことにならう。

第四、又獨逸公債發行の有無に不拘獨逸政府と賠償債權國との間に於て年金を受取ることに、收納したる年金を債權國間に分配送金すること、此等一切の仕事の爲に從來の如き賠償委員會なる政治機關の代りに純然たる商業的機關を設けて擔任せしめることゝすれば、此仕事は政治的色彩を脱し普通の商行爲として一層規則正しく圓滿に行はれるであらう。是即賠償問題の經濟化である、最終解決の大眼目である、而して此仕事も右の信託機關に擔任せしめて差支な

第五、更に進んで考へますれば、若し此信託機關を關係諸國の中

中央銀行の協力を以て組織したる普通の金融機關となし、普通銀行業を兼營せしむることゝしたならば、此國際的大銀行は其の普通金融爲替の機能を活用して獨逸の海外支拂に便宜を與ふことが出來ませう。獨逸の賠償支拂が實質的に圓滿に行はれませう、獨逸も其支拂に援助を得聯合國も大いに安心するであらう、又獨逸公債の所有者も其公債の元利支拂確實なりと信賴するであらう。

然らば一層のこと茲に國際的の一大銀行を創立しようではないか、之を創立してヴェルサイユ條約による賠償委員會やドーズ案に依る賠償總管理人其他一切の政治的監督機關を一掃しようではないかと云ふ考案に到着したのであります。

諸愈々創立すると考が定まりますれば又色々の希望が出て來ます即ち

第六、近來英米佛諸國の中央銀行間に一種の協定をなし、相互に援助協力して以て爲替の安定を謀ることが行はれつゝあります。斯の如き協定は可成其範圍を擴張し可成多數の中央銀行を加入せしむれば其效果一層擧がる譯であります。今創立せんとする國際決濟銀行は英米佛其他諸國の中央銀行の協力を以て組織せんとするものでありますから、此銀行は諸國中央銀行間に於ける協力協定の中心點となることも出來るであらう、換言すれば世界の通貨安定に有力なる役割を勤めさせることも出來るであらうと云ふ考へも抱かれました。

第七、又終りに今は世界の貿易金融に於て缺如せる特種の便宜、即普通の一金融機關の力を以てしては敢て企て及ばざる便宜を、此國際決濟銀行の力を以て補足することが出來るであらう、然らば世

界貿易の開発に貢献するであらうとも考へられました。

然し茲に御断りして置きますのは、本銀行は決して現在の金融機關の仕事奪はんとする下心は絶対にありません。唯現在機關の力若くは活動の及ばざる所を補ひ助けんとするに過ぎません。

要之本銀行は賠償問題最終解決の爲に必要とせられ、又創立當初の仕事の大體は賠償金の取扱賠償年金の商業化等一切の賠償事務を取扱ふにあります。他日は寧ろ普通の金融業務が仕事の本體となりませう。唯異なる所は資力豊富なる諸國中央銀行の協力後援を以て組織されますが故に、國際的の一大金融機關として嶄然其頭角を現はし、或は世界の經濟界に一大新面を開拓する様になるやも知れません。

以上の如き必要と理由の下に委員會は本銀行の創立を賠償解決案

中の最も重要な部分として、最も力を籠めて其計畫を進行せしめました。

b 資本及其分擔其重役數の割當

而して直ちに起る問題は資本を幾何にするか、又其資本を諸國に如何に分擔せしめるか、従つて重役の數を如何に割當てるかであります。

先づ種々考慮の結果公稱資本は一億萬弗と致します(結局スイツランドに本店を置くことになりましたから五億スイスフラン)

之を諸國に分配するに當りては仲々議論がありました。賠償に關係ある諸國には勿論加入させなくてはなりません、又賠償に關係なき國でもオランダとかスキツランドとか云ふが如き小さな乍らも世界の金融市場でありますれば、之等諸國の加入も歓迎せねばなりません。

せぬ。此分配について相談會の一員たるフランス銀行總裁に其立案を依頼しました所が、御承知の通り佛國人のことであるから最論理的の提案を致しました。曰く

分配の標準は左の通りでありました。

- 一、賠償に利害關係の大小、
- 二、其國の有する投資市場の大小、
- 三、其國の經濟力の大小、
- 四、而して其國の通貨安定せざる國は加入せしめざること、

如何に論理的と申しましても、賠償關係を除き投資市場の大小とか經濟力の大小とか云ふものは數學的に分配額を算出することは出来ませぬから、實際分配の割合は左の通りにするの立案でありました。

即ち引受額四百萬弗毎に重役一人を出すと云ふ基礎に於て、獨逸及びフランスは各々千四百萬弗即ち重役は各々四人宛、英米兩國は各々千二百萬弗即ち重役各々三名宛、伊太利ベルギーは各々八百萬弗重役各々二名、而して此の席に居るから日本にも四百萬弗重役一名と云ふ立案でありました。

この割當は論理的に出發して居りますすけれ共、其結局の適用は必しも論理的ではありません。又本銀行の如く諸國の協力に依つて組織するものであり、諸國が皆等分の興味と同様の熱心を以てするに非れば其發達も期待せられせんから、斯くの如き差別待遇を廢し一層のこと諸國皆平等にしようと思ふ議論の結果、遂に株式の數も重役の數も皆平等と云ふことに決しました。尤も平等と云つても此相談會に列席せる七ヶ國間丈の平等であります。而して此七ヶ國は

創立の發起人と云ふが如き資格でありますから、此七ヶ國は常に株式の五割六分の多數を保有することにしようと言ふ申し合せとなりました。

於之日本の如く賠償の利害關係に於ては極めて僅少であり、又海外投資市場として申し立つべきもの無きにも不拘英、米、佛の三大富國と平等の地位に於て之に加入することになりました。本銀行に對する我國の責任も重大であります。

本銀行創立の計畫はヤング案の最も重要なる部分として關係國政府の採用する所となり、創立委員會を開きヤング案中に豫め規定したる趣旨に従ひ定款を作り、一昨々日即五月十七日を以て瑞西のバーゼルを本店として開業致しました。其組織、定款、營業の細目等これにお話する暇はありませんが何れ本講演を終りたる後印刷が出

來ませうから之に附録として附けて置ませう。

本銀行は創立當初より其日常の事務として賠償の總ての仕事を担当致しまするのは勿論であります。其の第一回の仕事としては前にお話し致しましたる賠償年金を證券化したる獨逸公債、多分三億弗の發行を近く市場に賣出すの交渉を爲すであります。本銀行の將來の發展は世界經濟界の視聽を集めるものであります。

賠償問題の最終解決及び國際銀行の創立は數多の教訓を與へました。其主たるものを二つ擧げませう。

第一、無理なる約束即ち相手方を押附けたる約束は如何に法律的に有效であつても其實效はありません。政治上の力若くは兵力の威脅を以て相手方をして無理に義務を負擔せしめましても、其義務は決して政治上の力若くは兵力を以て履行せしめ得べきものではありません。

ませぬ。従つて難問の解決には關係者一同に誠意が無くてはなりませぬ。債権者側に於ては事實の真相に直面し實行可能なるや否やを判断して、この判断の上に其要求を斟酌せねばなりませぬ。單に論理上の権利を主張し之を強要し無理に債務者を承諾し得たりとするも其約束は空券に終る結果を生じませう。債務者をして眞に納得せしめ誠意を以て責任を以て其履行を決心覺悟せしむるに足る協定に到着することが必要であります。

條約により賠償委員會の決定したる賠償總額は千三百二十億金マールであります。其當時(一九二一年)に於て此額を一マールでもまげ様と云ふ説があつたならば佛國民は双手を舉げて反對したのでありませう。然るに今回ヤング案により佛國始め聯合債権國が同意しました賠償金額は、其年金を元本に換算して約三百五十八億金マールと

なりました。即賠償委員會の決定額の最高の桁をチョン切つたまげ方でありませう、之即獨逸の國力に對し實行可能の範圍でありませう。獨逸をして誠意を以て履行せんとの信念を抱かしむるに足る數字でありませう。従つて此債権は始めて確實なる債権となりませう、不確實なる債権は如何に巨額であつても小額なる確實なる債権に劣ります。

第二、賠償問題の最初の五ヶ年間は政治家失敗の歴史でありませう。後の五ヶ年間は實業家成功の歴史でありませう。歐米政治家中最良の頭腦を絞つて解決を試み努力を盡しても遂に失敗に終りたるものを、實業家が其後を受けて其解決に成功したのであります。蓋し政治家も必ずしも實業家に劣れる譯ではありますまいが、政治家は稍もすれば其黨若しくは所謂輿論なるもの、無理解なる主張に抵

抗することを得ず心ならずも實行不可能の要求を固執せねばならぬ
 ことがあります。反之實業家は政黨政派の議論に拘束せらるゝこと
 無く、全く經濟財政の見地に立脚し實行可能なる範圍内に於て自由
 に立案することが出來ます。然れ共實業家に權威無ければ政治家と
 雖も必ずしも此の實業家の意見を尊重して之に服従する者ではあり
 ませぬ。賠償問題の解決は歐洲經濟復興の最も重要なる前提條件で
 あり、世界平和を確保すべき重大なる局面に對し實業家が如何に重
 大なる役割を演じ得たかを證明するものである、又實業家が歐米に
 於て如何なる權威を有するかを語るものであります。商科大學の學
 生諸君に於ては殊に興味深き教訓なりと信じます。

金融研究會の御所望によりまして自ら圖らず此の講演をお請け致

しまして此の三日間先づ本大學より出發し倫敦、紐育、巴里、ブ
 ローン、スバアと云ふが如く諸君を諸所方々に引廻はしまして今漸
 く又本大學に戻つて参りました。嘸どお疲れで御座いませうから長
 々の御清聴に對し茲に感謝の意を表して此の講演を終ることゝ致し
 ます。

附錄目次

第一	外貨公債發行目論見書	一頁
	明治三年發行關稅擔保九分利付英貨公債	一
	大正十三年發行六分利付英貨公債	一
	大正十三年發行六分半利付米貨公債	一七
	昭和五年發行五分半利付英貨公債	三三
	昭和五年發行五分半利付米貨公債	四四
第二	外貨市債發行目論見書	四四
	大正十五年發行五分半利付東京市英貨債	五一
	大正十五年發行六分利付橫濱市米貨債	六一
第三	外貨社債發行目論見書	六一
	昭和三年發行六分利付東京電燈英貨社債	六九
	昭和三年發行六分利付東京電燈米貨社債	七九
第四	對獨賠償專門家委員會報告 拔萃	九二
第五	國際決濟銀行定款	一二八

the payment of the interest and principal to be transmitted to Messrs. J. Henry Schröder & Co.

5. The Price of Issue is 98 per cent. payable:—

£ 5 per cent. on Application.

£15 " on Allotment.

£30 " on the 28th May.

£25 " on the 28th June.

£23 " on the 1st August.

£98

Interest at the rate of 6 per cent. per annum will accrue on each instalment from the date of payment to the 1st August. The amount of such accrued interest will be deducted from the final payment. All the instalments may be anticipated, with allowance of interest as above, which, in that case, will be deducted at the time of payment in full.

The first half-yearly coupon will be payable, on the 1st February, 1871, at the Counting-house of Messrs. J. Henry Schröder & Co., London.

In cases of allotment of £1,000, or a multiple thereof, the allotment will be made as nearly as possible in an equal number of Bonds of each series, in order to insure the redemption of one-tenth part at each drawing.

Scrip Certificates to Bearer will be issued against Allotment Letters, to be exchanged for Bonds to Bearer, as early as possible after payment of all the instalments.

The Bonds will be signed by the Special Commissioner, and countersigned by Messrs. J. Henry Schröder & Co., as Agents for the Loan. Coupons for the half-yearly interest due 1st February and 1st August of each year will be attached.

The General Bond, specifying the conditions of, and the securities for, the Loan, has been executed by the Special Commissioner, Mr. H. N. Lay, C.B., on behalf of the Japanese Government, and will be deposited, together with the original Edicts, at the Bank of England. A copy of the General Bond is appended.

Applications must be made in the annexed form, at the Oriental Bank Corporation, Threadneedle Street, E.C., accompanied by a deposit of £5 per cent. on the nominal amount of the Bonds applied for.

In case default is made in payment on allotment, or of any of the instalments on the days named above, the allotment will be liable, to be cancelled, and the sums then already paid to be forfeited.

In case no allotment is made, the money deposited will be returned to the applicant without deduction.

The radical changes which have recently taken place in Japan, and their important effects, not only on the Japanese themselves, but upon their commercial relations with Foreign countries, are recognised by all who have a knowledge of the vast resources and the productive powers of that Empire.

The natural result of this improved state of things has been a desire, on the part of the Government, to develop the resources of the Empire by the introduction of Railways, and to the accomplishment of that object the present Loan is mainly designed.

Mr. Horatio Nelson Lay, C.B., whose name in connection with China and Japan is well known, has been selected by the Japanese Government as their Special Commissioner for raising the Loan on their behalf. They have conferred on him full powers to that effect, and have assigned and appropriated as a special fund for payment of the interest and the repayment of the capital, the whole of the Customs Dues and Duties now or hereafter to be levied throughout the Empire, with full powers for the collection and transmission of the moneys necessary for such purposes.

The Railways, the proceeds of which form an additional security for the Loan, and which the Government have agreed to construct and complete within a period of from Three to Five years, from December, 1869, are—

1. A Line from Yedo, the present capital, with a population exceeding 2,000,000, to Hiogo via Osaka, a town of a million of inhabitants all engaged in trade, or via Kioto, the ancient Sacred Capital, and the centre of wealth and commerce of the Empire.
2. A Line from Yedo to Yokohama, which from its close proximity to the capital, and as the natural outlet of the great silk producing districts, must always maintain its commanding position among the open ports of Japan.
3. A Line from Osaka connecting the Biwa Lake with the Port of Tsuruga.

A Plan is annexed shewing the course of the Railways, from which their important connection with the commercial outlets of the Country can be clearly seen.

145, Leadenhall Street, London,
23rd April, 1870.

GENERAL BOND.

To all to whom these Presents shall come, Horatio Nelson Lay, Companion of the Most Honorable Order of the Bath, Special Commissioner of the Government of Japan, for the purpose of raising the Loan of £1,000,000 Sterling hereinafter mentioned, Sends Greeting.

WHEREAS His Imperial Majesty the Tennō of Japan issued an Edict dated the 12th day of the 11th Moon of the 2nd year of Ming-Che, or 14th day of December, 1869, executed under the Hands and Seals of His Imperial Majesty's principal Minister of Finance and of the Home Department, the Assistant Minister of Finance, and the Second Assistant Minister of Finance, which Edict was in the terms following:—

EDICT OF HIS IMPERIAL MAJESTY THE TENNŌ OF JAPAN.

"To all whom these Presents shall come, His Imperial Majesty the Tennō of Japan Sendeth Greeting.

Whereas for the promotion of Works of Public Improvement in our Dominions, and generally for the benefit of our Empire, and for divers other good and sufficient reasons, our Government has occasion for the sum of (£1,000,000) One Million pounds sterling of British Currency, being equivalent to the sum of (Mex. \$4,500,000) Four Million five hundred thousand Mexican Dollars or thereabouts.

"And Whereas it seems expedient to us, and for the interest and advantage of our Government, that the said sum should be raised by a Loan of that amount from any person or persons who may be willing to advance the same, and that the repayment of such Loan, and the interest thereon, should be secured as hereinafter appears. Wherefore, for the purposes aforesaid, We do, by this our Imperial Edict, constitute and appoint the British Subject, Horatio Nelson Lay, Companion of the Order of the Bath, to be our Commissioner to raise and negotiate the said Loan upon such terms as to the time and manner of repayment of the same, and at such rate of interest and manner of payment thereof, as he, the said Horatio Nelson Lay, shall think fit, and we hereby authorise and empower him, the aforesaid Horatio Nelson Lay, to enter into and to execute such Deeds, Contracts, Bonds, and Mortgages, and with such person or persons as he, Horatio Nelson Lay, shall, in his absolute discretion, think fit for that purpose; and we hereby grant and delegate to him full power either himself to enter into and execute such Deeds, Contracts, Bonds, and Mortgages, and to take the entire management of the details thereof, or to nominate and appoint any person or persons, Corporation or Company, as his Agent or Agents, Attorney or Attornies, either in England, Japan, or e'sewhere, to enter into, execute, and sign, or set his or their Corporate Seal to such Deeds, Contracts, Bonds, and Mortgages, and to take such

entire management in the same way as granted aforesaid to the said Horatio Nelson Lay, and the said Horatio Nelson Lay, or his Agent or Agents, Attorney or Attorneys, as aforesaid, to make such arrangements for the payment of the interest on such Loan, and repayment of the principal money at such times and at such places, and in such manner, and in such instalments or otherwise, as he, the said Horatio Nelson Lay, or his Agent or Agents, Attorney or Attorneys, shall in his or their absolute discretion think fit. And we hereby assign and appropriate to the said Horatio Nelson Lay, his Agent or Agents, Attorney or Attorneys, as aforesaid, as a security for the repayment of the said Loan and Interest thereon,—all the Customs Dues and Duties now or hereafter levied and to be levied upon Imports and Exports within our Dominions, together with the net receipts derivable from the Passenger and Goods Traffic upon certain Lines of Railway to be constructed, that is to say:—A Line from Yedo to Hiogo, via Osaka (or via Kioto, as may be determined by competent Engineers), with a connecting branch to Yokohama. Also a Line connecting the Biwa Lake with the Port of Tsuruga, the construction of which Lines of Railway aforesaid We and Our Government undertake to commence forthwith, and to complete within a period of from three to five years from the date of this Edict, under the superintendence and direction of such Engineers as may be appointed for that purpose by the said Horatio Nelson Lay, or his Agent or Agents, Attorney or Attorneys. And we authorise and empower the said Horatio Nelson Lay, or his Agent or Agents, Attorney or Attorneys, to make such arrangements for the due receiving and transmission to London or elsewhere, of such Customs Dues and Duties, and net Railway Receipts as aforesaid, in liquidation of the said Loan and Interest by and to such person or persons as he, the said Horatio Nelson Lay, or his Agent or Agents, Attorney or Attorneys may think fit. And we hereby undertake to promulgate, from time to time, such Edicts, and to execute such documents as may be necessary to assign and appropriate

the said Customs Dues and Duties, and net Railway receipts, for the purposes aforesaid, and also for the ratification and confirmation of all Acts, Deeds Contracts, Bonds, Mortgages, matters, and things whatsoever, that may be made, done, or executed, for the purposes aforesaid, by the said Horatio Nelson Lay, or his Agent or Agents, Attorney or Attorneys, so that the same may be as valid and binding upon ourselves, and our Governments, in all respects as if we had ourselves made, done, and executed the same.”

And whereas his said Imperial Majesty issued another Edict dated the 26th day of the 11th moon of the 2nd year of Ming-Che, or 28th day of December, 1869, executed under the Hands and Seals of His Imperial Majesty's Principal Minister of Finance and of the Home Department, the Assistant Minister of Finance, and the Second Assistant Minister of Finance, also of His Imperial Majesty's Principal Minister for Foreign Affairs, and Vice-Minister for Foreign Affairs, which Edict provided that the payments in respect of the principal money and interest of the said Loan should be made as well in time of War as of Peace, and whether the Holders of the Bonds were subjects of a friendly or of a hostile State, and that the said Bonds should upon the death of any Holder thereof pass and belong to his heirs and representatives according to the Law of the Country of which such Holder was a subject.

Be it therefore known that the said Horatio Nelson Lay, in exercise of the powers vested in him by the first recited Edict, hereby declares that His Imperial Majesty the Tennō of Japan, for his said Majesty's Government of Japan, has raised a Loan of £1,000,000 sterling (equivalent to 4,500,000 Mexican Dollars) to be represented by Bonds of £100, £500, and £1,000 each upon the following terms:—

First. The funds destined for the payment of interest and for the redemption of the loan shall be remitted to Messrs. J. Henry Schröder & Co., of London, the Agents for the Loan, so as to be in their hands previous to the

periods respectively fixed for the payment of interest and drawing of the Bonds as after mentioned.

Second. Interest on the said Loan, or on so much thereof as shall from time to time remain unredeemed, shall be payable at the rate of £9 per cent. per annum, on the 1st day of February and the 1st day of August in every year, in London, at the Counting-house of Messrs. J. Henry Schröder & Co., the first half-yearly payment to be made on the 1st day of February, 1871.

Third. The Bonds are divided into ten series of £100,000 each, distinguished by the letters A, B, C, D, E, F, G, H, I, and K, and are to be repaid at par by the redemption of an entire series on the 1st day of August, 1873, and on the 1st day of August in every subsequent year up to and inclusive of the year 1882.

Fourth. The series so to be redeemed in each year shall be determined in the month of May in that year, by lot, at the Counting-house in London of Messrs. J. Henry Schröder and Co., in the presence of a representative of that Firm and of a Notary Public, the first drawing by lot to be in the month of May, 1873.

Fifth. The description (by their distinctive letter) of the series of Bonds drawn, shall forthwith, after such drawing, be advertised in two of the principal newspapers published in London. The principal of the Bonds drawn, with the interest thereon, down to the day appointed for redemption, shall be payable in London, at the Counting-house of Messrs. J. Henry Schröder & Co.

Sixth. All Bonds cease to bear interest after the 1st day of August, which shall follow the drawing by lot of the series to which they belong.

Seventh. The Bonds paid off, with all the Interest Coupons attached thereto, shall after such payment be annulled and cancelled in the presence of a representative of Messrs. J. Henry Schröder & Co. and of a Notary

Public, and of the said Horatio Nelson Lay, or his representative on behalf of the Japanese Government.

Eighth. The Bonds to be issued for the said Loan shall contain the foregoing stipulations, and also stipulations providing for the payments of principal money and interest, as well in time of war as of peace, and whether the holders of the Bonds be subjects of a friendly or of a hostile State, and for the right of succession, according to the law of the country of the holder, as mentioned in the secondly hereinbefore-recited Edict, and a stipulation that the Bonds, or the principal money, or interest thereby secured, shall not be liable to seizure or sequestration, or to any taxation whatsoever by the Japanese Government.

Ninth. The Bonds so to be issued shall also contain a stipulation that the holder shall be entitled (rateably with the other Bondholders) to the benefit of the assignment and appropriation contained in the first hereinbefore recited Edict, as a security for the repayment of the said Loan and interest thereon, of the Customs Dues and Duties and Railway receipts therein mentioned, as well as of all powers and remedies for giving effect to such assignment and appropriation.

Tenth. The said Bonds to be issued for the said Loan shall be signed by the said Horatio Nelson Lay, and countersigned by Messrs. J. Henry Schröder & Co., as Agents for the said Loan.

And the said Horatio Nelson Lay, in exercise of the powers vested in him as aforesaid, doth hereby bind and oblige His said Imperial Majesty and the Japanese Government to the due and punctual payment of the principal and interest of the said Loan, pursuant to the terms hereinbefore set forth, and to the performance and observance in all other respects of the said terms and of the stipulations to be contained as aforesaid in the said Bonds to be issued for the said Loan.

And for further securing the due and punctual payment of the said principal money and interest, and the observance of the said terms and stipulations, the said Horatio Nelson Lay doth hereby irrevocably appoint the said Messrs. J. Henry Schröder & Co. (whether as at present constituted, or according to any future constitution of that Firm) to be his Agents and Attorneys, for the purpose of taking the benefit on behalf of the said Bondholders rateably on the assignment and appropriation in the said first-recited Edict contained, as a security for the repayment of the said Loan and interest thereon of the Customs Dues and Duties levied, and to be levied, upon Imports and Exports within the Japanese Dominions, together with the net receipts derivable from the passenger and goods traffic upon the lines of Railway in the same Edict mentioned, with all such powers as are by the said first recited Edict given to the said Horatio Nelson Lay, his Agents or Attorneys, of making arrangements for the due receiving and transmission to London or elsewhere, of such Customs Dues and Duties and such Railway receipts as aforesaid in liquidation of the said Loan, by and to any person or persons whomsoever, as also of applying for and requiring the promulgation and execution by His said Imperial Majesty, of such Edicts and documents as in and by the said first recited Edict His Imperial Majesty has undertaken to execute, as hereinbefore appearing, for assigning and appropriating the said Customs Dues and Duties and net Railway receipts, for the purposes aforesaid, and for the ratification and confirmation of all Acts, Deeds, Contracts, Bonds, Mortgages, matters, and things made, done, or executed for the purposes aforesaid, by the said Horatio Nelson Lay, or his Agents or Attorneys.

In witness whereof the said Horatio Nelson Lay has hereunto set his hand and seal, the Twenty-third day of April, 1870.

The List of Applications will be closed on or before
16th February, 1924.

**Imperial Japanese Government 6% Sterling
Loan of 1924.**

Issue of
£25,000,000.

**Created under the authority of Law No. 6 of 1906 and
Law No. 56 of 1923 of the Imperial
Japanese Government.**

SUBSCRIPTION PRICE £87½ PER CENT.

Arrangements have been made by which £12,000,000 of the above Loan will be allotted in full to holders of Imperial Japanese Government 4½ per cent. Loans of 1905, First and Second Series, who have agreed to convert.

The Imperial Japanese Government undertakes that if, during the life of the Bonds of the 6% Sterling Loan of 1924, any Loan or Loans should be created with a lien upon any specific revenue or assets of the Empire of Japan, then this 6% Loan of 1924 and the relative Bonds thereof shall be secured *pari passu* with such other Loan or Loans.

Proceeds of this Loan will be applied to the Conversion and Redemption of the outstanding balances of the Imperial Japanese Government 4½% Loans, First and Second Series, issued on 28th March, 1905, and 11th July, 1905, respectively, and to meet the expenditure for reconstruction work necessitated by the Earthquake in Japan.

Under the Authority of the Imperial Japanese Government an issue of \$150,000,000 (Dollar Bonds) for the same purposes is being made in America under the auspices of Messrs. J. P.

Morgan & Co.; Messrs. Kuhn Loeb & Co.; National City Company, and the First National Bank of the City of New York.

The Imperial Japanese Government undertakes that the Loan will be entirely repaid by 10th July, 1959, by means of a fixed cumulative Sinking Fund beginning in July, 1929, which will be applied semi-annually as specified hereafter.

A Coupon for £1. 10s. per £100 Bond, payable on 10th July next, being the amount of interest calculated upon the instalments, will be attached to the Scrip Certificates.

Westminster Bank, Limited,
 Hongkong & Shanghai Banking Corporation,
 The Yokohama Specie Bank, Limited,
 Messrs. Baring Brothers & Co., Limited,
 Messrs. Morgan Grenfell & Co.,
 Messrs. N. M. Rothschild & Sons, and
 Messrs. J. Henry Schroder & Co.

are authorised by the Imperial Japanese Government to receive subscriptions for the above Loan, payable as follows:—

£ 5	per cent. on application.
£20	„ on allotment.
£25	„ on 17th March, 1924.
£20	„ on 14th April, 1924.
£17. 10s.	„ on 12th May, 1924.
<u>£87. 10s.</u>	

Subscriptions may be made in Cash or in the Bonds of the Imperial Japanese Government 4½ per cent. Loans of 1905, First and Second Series, referred to above.

Application must be made on one of the forms provided herewith, accompanied by the deposit of £5 per cent. in cash, or in Imperial Japanese Government 4½ per cent. Bonds, and it is expressly stipulated that any applicant having elected to pay either in cash or in Bonds cannot alter his engagement as to the mode of payment.

SUBSCRIPTIONS IN CASH.

Payment in full on allotment may be made under discount of 3 per cent. per annum.

Subscriptions must be for £100 nominal or multiples thereof.

If no allotment be made the deposit will be returned in full, and if only a portion of the amount applied for be allotted, the balance of the deposit will be appropriated towards payment of the amount due on allotment.

Failure to pay any of the instalments when due will render all previous payments liable to forfeiture.

SUBSCRIPTIONS IN IMPERIAL JAPANESE GOVERNMENT 4½ BONDS.

Subscriptions in Bonds will receive allotment in full.

Holders of Imperial Japanese Government 4½ per cent. First Series Bonds who desire to convert must lodge their Bonds with all unmatured Coupons attached except the Coupon due 15th February, 1924, and will receive in exchange for each Bond of £100 and the said unmatured Coupons:—

£125 fully-paid Scrip (nominal) of the 6 per cent.

Loan with Coupon as aforementioned, together with an adjusting of payment £4. 2s. 4d.

These figures are inclusive of—

(a) Accrued interest from the 15th February to the 21st February and

(b) The equivalent of the discount allowed to cash subscribers who pay in full on allotment.

Holders of Imperial Japanese Government 4½ per cent. Second Series Bonds who desire to convert must lodge their Bonds with all unmatured Coupons attached, and will receive in exchange for each Bond of £100 and the said unmatured Coupons:—

£ 25 fully-paid Scrip (nominal) of the 6 per cent.

Loan with Coupon as aforementioned, together with an adjusting payments of £4. 12s. 3d.

These figures are inclusive of—

- (a) Accrued interest from the 10th January to the 21st February and
- (b) The equivalent of the discount allowed to cash subscribers who pay in full on allotment.

Holder of Bonds of £500, £200 and £20 each will on conversion receive Scrip and Cash on the same basis.

In the case of adjusting payments amounting to £4. 7s. 6d. or over, subscribers in Imperial Japanese Government 4½ per cent. Bonds will, as far as possible, have allotted to them additional 6 per cent. Bonds, the fractional surplus only being settled in Cash.

Subscribers in Bonds should deposit their Bonds when making application, but if this be impossible, a portion of the Bonds may be deposited, or a deposit in cash made of not less than 5 per cent. This cash deposit will be refunded when the Bonds are delivered, but failure to deliver the Bonds on or before the 20th February, 1924, will render the deposit liable to forfeiture.

Notification will be made by the Minister of Finance of the Imperial Japanese Government that all the above-mentioned Imperial Japanese Government 4½ per cent. Bonds not presented for conversion will be repaid at their par value plus accrued interest on the 1st of October, 1924, at The Yokohama Specie Bank, Limited, London, and elsewhere as provided in the Bonds.

The Imperial Japanese Government undertakes to apply semi-annually a fixed Cumulative Sinking Fund, beginning in July, 1929, and calculated to redeem the entire Loan by 10th July, 1959. If the price of the Bonds be under par, the Sinking Fund will operate by purchase. If the price of the Bonds be par or over, redemption will be effected by drawings in the usual manner.

The Imperial Japanese Government reserves the right to accelerate the redemption at any time by purchase; also at any time after 15 years from the date of issue, on giving three

months' notice, to repay at par plus accrued interest the amount of the Loan outstanding or any portion thereof, such partial redemption to be effected by drawings, and such drawings shall take place in the usual manner at the Office in London of The Yokohama Specie Bank, Limited, and the numbers of the Bonds drawn shall be announced immediately afterwards by advertisement.

Scrip Certificates to bearer, with Coupon attached for £1 10s. per £100 Bond, payable on 10th July, 1924, will be delivered as soon as possible in exchange for the Allotment Letters, and Bankers' Receipts. Bonds will, in due course, be delivered in exchange for the Scrip Certificates.

The Loan will be in Bonds to bearer of £200, £100, £50, £25 and £20, with half-yearly Coupons attached payable 10th January and 10th July.

The Bonds and Coupons will be payable as follows:—

In London at the Office of The Yokohama Specie Bank, Limited, 7, Bishopsgate, E. C. 2, in Sterling, and in Japan at the Office of The Bank of Japan, Tokyo, at the current rate of exchange on London ruling on the date of presentation.

An official quotation on the London Stock Exchange will be applied for in due course.

Certified translations of the Laws creating and authorising the issue of this Loan may be seen at the Office of Messrs. Alfred Bright & Sons, Solicitors, 15, George Street, Mansion House, London, E. C. 4.

Prospectuses and Forms of Application may be obtained from the following:—

Westminster Bank Limited, 41, Lothbury, E. C. 2, and Branches; Hongkong and Shanghai Banking Corporation, 9, Gracechurch Street, E. C. 3; The Yokohama Specie Bank, Limited, 7, Bishopsgate, E. C. 2; Messrs. Baring Brothers & Co., Limited, 8, Bishopsgate, E. C. 2; Messrs. Morgan Grenfell & Co., 22, Old Broad Street, E. C. 2; Messrs. N. M. Rothschild & Sons, New Court, St. Swithin's Lane, E. C. 4; Messrs. J. Henry

Schroder & Co., 145, Leadenhall Street, E. C. 3; and Messrs.
Panmure Gordon & Co, 1, St. Michael's Alley, Cornhill, E. C. 2.

13th February, 1924.

COPY OF LETTER

From the duly authorised Special Finance Delegate of the
Imperial Japanese Government.

(Dated) New York, 9th February, 1924.
(Transmitted by Cable)

Gentlemen,

I have pleasure in informing you that under the special
Authority given to me by the Imperial Japanese Government
I approve of the above Prospectus.

I am, Gentlemen,

Your obedient Servant,

(Signed) KENGO MORI,
Special Finance Delegate of the
Imperial Japanese Government.

\$150,000,000

**Imperial Japanese Government External
Loan of 1924**

THIRTY-YEAR SINKING FUND 6½% GOLD BONDS

Dated February 1, 1924

Due February 1, 1954

Interest payable February 1 and August 1

Non-Redeemable for Fifteen Years

Principal and interest payable in New York City, in United
States gold coin of the present standard of weight
and fineness, without deduction for any
Japanese taxes, present or future.

Coupon Bonds in denominations, of \$1,000, \$500 and \$100

Redeemable as a whole or in part, at par and accrued
interest, at the option of the Government, upon
90 days' notice, on or after February 1, 1939.

Monthly Sinking Fund payments at the following an-
nual rates, commencing August 1, 1924, and continuing
while any of the Dollar Bonds are outstanding, will
be used to purchase such Bonds in the market at not
exceeding 100% and accrued interest:

From August 1, 1924 to July 1, 1929,
inclusive\$5,000,000 per annum
From August 1, 1929 to July 1, 1934,
inclusive\$4,000,000 per annum
From August 1, 1934 to maturity ...
.....\$3,000,000 per annum

The following statement concerning the Bonds has been prepared for us by Mr. Kengo Mori, Special Finance Delegate of the Imperial Japanese Government:

AUTHORIZED ISSUE The Imperial Japanese Government External Loan of 1924 is to be an International Loan to be issued in the United States of America, England and Holland, as follows:

United States and Holland	\$150,000,000
England	£ 25,000,000

The Bonds of this Loan are to be direct external obligations of the Imperial Japanese Government. Bonds of the American and Dutch issue are to be payable in United States gold coin or, at the option of the holder, in London in Sterling at an exchange rate of \$4.8665 to the pound Sterling. Bonds of the English issue are to be payable in Sterling only. The issue in Holland will be made by Messrs. Hope and Co. and their associates, at the same price as in New York. The issue in England will be of Thirty-Five Year 6% Bonds to be offered at 87½% and interest, yielding about 6.96%, by the Westminster Bank, Ltd., Hong Kong & Shanghai Banking Corporation, Yokohama Specie Bank, Ltd., Messrs. Baring Bros. & Co. Ltd., Messrs. Morgan Grenfell & Co., Messrs. N. M. Rothschild & Sons and Messrs. J. Henry Schröder & Co.

SPECIAL PROVISIONS The Japanese Government covenants that if, while any of the Bonds of this Loan are outstanding, it shall secure any loan by a lien or charge upon any of its specific revenues or assets, it will secure the Bonds of this Loan equally and ratably with any obligations secured by such lien or charge.

SINKING FUND The Japanese Government covenants that, commencing August 1, 1924, and continuing while any of the Dollar Bonds are outstanding, it will deposit in New York with the Yokohama Specie Bank, Ltd., its fiscal agents, in equal monthly instalments, the following sums to be

used as a Sinking Fund to purchase such Dollar Bonds in the market at not exceeding 100% and accrued interest, viz.:

For each of the five years from August 1, 1924 to July 31, 1929.....	\$5,000,000;
For each of the five years from August 1, 1929 to July 31, 1934.....	\$4,000,000;
And annually from August 1, 1934 to maturity	\$3,000,000.

If in any month Bonds are not obtainable at or under 100% and accrued interest, the unused portion of the monthly sinking fund payment at the end of the month will revert to the Japanese Government. A separate Sinking Fund will apply to the English issue.

PURPOSE OF ISSUE The proceeds of this Loan are to be used, in part, to retire the outstanding balance of the Imperial Japanese Government 4½% Sterling Loan, First and Second Series, due February 15, 1925, and July 10, 1925, respectively, and, in part, to purchase materials and supplies for the reconstruction necessitated by the earthquake and fire of September, 1923.

Of the above-mentioned 4½% Sterling Loan originally issued in the aggregate amount of £60,000,000, about £25,000,000, or 40%, has already been retired by the Japanese Government through purchases in the market, leaving outstanding such bonds of a par value equivalent, at the fixed rate of exchange named in the bonds, to approximately \$170,500,000. The Japanese Government is to call these outstanding bonds for redemption on October 1, 1924, at par (\$974 per £200 bond) together with accrued interest to that date, in accordance with its right of redemption expressed in the bonds.

The Government's reconstruction program calls for an estimated expenditure by the Government of about \$700,000,000, of which it is expected that about \$300,000,000 will be spent in purchases outside of Japan. This latter sum is to be made available from the proceeds of this Loan and from existing funds now at the disposal of the Japanese Government in New

York and in London. It is the intention of the Government that the remainder of the funds for reconstruction purposes shall be raised in Japan.

This Loan, together with the existing foreign balances mentioned, will, therefore, provide not only for the retirement of substantially the whole of the Japanese Government's external debt maturing prior to 1931, but also for the Japanese Government's entire estimated financial requirements in foreign markets for reconstruction work.

PREVIOUS ISSUE This Loan is the first direct external issue made by the Imperial Japanese Government in the American market since 1905, the year of the Russo-Japanese War. In March and in July of that year, part of the 4½% Sterling Loan, above referred to, was offered to yield about 5.32%, and in November, part of an international 4% Loan, maturing in 1931, was offered to yield approximately 4.67%. These offerings in the United States aggregated about \$137,500,000 par value of bonds.

**WE OFFER THE ABOVE BONDS FOR SUBSCRIPTION,
SUBJECT TO ALLOTMENT, AT 92½% AND
ACCRUED INTEREST, TO YIELD
7.10% TO MATURITY.**

All subscriptions will be received subject to the issue and delivery to us of the Bonds as planned and to the approval by our counsel of their form and validity.

Subscription books will be opened at the office of J. P. Morgan & Co., at 10 o'clock A.M., Friday, February 15, 1924. The right is reserved to reject any and all applications, and also, in any case, to award a smaller amount than applied for.

The amounts due on allotments will be payable at the office of J. P. Morgan & Co., in New York funds to their order, on or about March 3, 1924, as called for, against the delivery of Interim Receipts or temporary Bonds, pending the preparation of definitive Bonds.

Payment for Bonds allotted may be made in the bonds of the Imperial Japanese Government 4½% Sterling Loan of 1905, First and Second Series, due, respectively, February 15, 1925, and July 10, 1925, with unmatured coupons attached, which will be accepted at prices equivalent to a 4¼% interest yield basis computed from the date of payment of subscriptions to October 1, 1924, the date as of which the 4½% bonds are to be called for redemption as above stated.

The par value of all Japanese Government bonds quoted on the New York Stock Exchange is \$974 per £200 bond.

J. P. Morgan & Co.

Kuhn, Loeb & Co.

The National City Company

First National Bank, New York

New York, February 11, 1924.

The following information concerning the Imperial Japanese Government External Loan of 1924 and the general resources of Japan, has been furnished by Mr. Kengo Mori, Special Finance Delegate of the Imperial Japanese Government. Conversion of yen into dollars, where made, has been figured at two yen to the dollar, as against parity of 49.85 cents per yen.

The Loan and Its Purpose

The Imperial Japanese Government External Loan of 1924 is to be an International Loan to be issued in the United States of America, England and Holland, as follows:

United States and Holland	\$150,000,000
England	£ 25,000,000

The Bonds of this Loan are to be direct external obligations of the Imperial Japanese Government. Bonds of the American and Dutch issue are to be payable, both as to principal and interest, in United States gold coin of the present

standard of weight and fineness in New York City at the office of the Yokohama Specie Bank, Ltd., or, at the option of the holder, in London in Sterling at an exchange rate of \$4.8665 to the pound Sterling. Such payment of principal and interest, whether in dollars or in Sterling, is to be made without deduction for any tax or taxes now or at any time hereafter imposed by the Imperial Japanese Government, or by any taxing authority thereof or thereunder. The Japanese Government will require six months' notice of the intention of bondholders to present their bonds for payment at maturity in Sterling or two months' notice for such payment pursuant to any call for earlier redemption. Bonds of the English issue are to be payable in Sterling only.

The issue in Holland will be made by Messrs. Hope & Co., the Nederlandsche Handel-Maatschappij, Messrs. Lippman, Rosenthal & Co. and the Twentsche Bank, at the same price as in New York. The issue in England will be of Thirty-Five Year 6% Bonds, to be offered at 87½% and interest, yielding about 6.96%, by the Westminster Bank, Ltd., Hong Kong and Shanghai Banking Corporation, Yokohama Specie Bank, Ltd., Messrs. Baring Bros. & Co., Ltd, Messrs. Morgan Grenfell & Co., Messrs. N. M. Rothschild & Sons and Messrs. J. Henry Schröder & Co

The proceeds of this Loan are to be used, in part, to retire the outstanding balance of the Imperial Japanese Government 4½% Sterling Loan, First and Second Series, due February 15, 1925, and July 10, 1925, respectively, and, in part, to purchase materials and supplies for the reconstruction necessitated by the earthquake and fire of September, 1923.

Of the above-mentioned 4½% Sterling Loan issued in 1905 in the aggregate amount of £60,000,000, about £25,000,000, or 40%, has already been retired by the Japanese Government through purchases in the market, leaving outstanding such bonds of a par value equivalent, at the fixed rate of exchange named in such bonds, to approximately \$170,500,000. The Japanese Government is to call these outstanding bonds for

redemption on October 1, 1924, at par (\$974 per £200 bond) together with accrued interest to that date, in accordance with its right of redemption expressed in the bonds.

The Government's reconstruction program calls for an estimated expenditure by the Government of about \$700,000,000, of which it is expected that about \$300,000,000 will be spent in purchases outside of Japan. This latter sum is to be made available from the proceeds of this Loan and from existing funds now at the disposal of the Japanese Government in New York and in London. It is the intention of the Government that the remainder of the funds for reconstruction purposes shall be raised in Japan.

This Loan, together with the existing foreign balances mentioned, will, therefore, provide not only for the retirement of substantially the whole of the Japanese Government's external debt maturing prior to 1931, but also for the Japanese Government's entire estimated financial requirements in foreign markets for reconstruction work.

The Japanese Government covenants that if, while any of the Bonds of this Loan are outstanding, it shall secure any loan by a lien or charge upon any of its specific revenues or assets, it will secure the Bonds of this Loan equally and ratably with any obligations secured by such lien or charge.

The Japanese Government covenants that, commencing August 1, 1924, and continuing while any of the Dollar Bonds are outstanding, it will deposit in New York with the Yokohama Specie Bank, Ltd., its fiscal agents, in equal monthly instalments, the following sums to be used as a sinking fund to purchase such Dollar Bonds in the market at not exceeding 100% and accrued interest, viz.:

For each of the five years from August 1,	
1924 to July 31, 1929	\$5,000,000
For each of the five years from August 1,	
1929 to July 31, 1934	\$4,000,000
And annually from August 1, 1934 to	
maturity	\$3,000,000

If in any month Bonds are not obtainable at or under 100% and accrued interest, the unused portion of the monthly sinking fund payment at the end of the month will revert to the Japanese Government. A separate Sinking Fund will apply to the English issue.

The Bonds are to be redeemable as a whole, or in part, at par and accrued interest, at the option of the Government, upon 90 days' notice, on or after February 1, 1939.

National Wealth and Government Debt.

The gross debt of the Japanese Government, outstanding on October 31, 1923, amounted to 4,359,578,693 yen, of which 1,320,624,818 yen was external debt. The Government has reduced its external debt by more than 325,000,000 yen during the past ten years, and even after giving effect to the present financing the external debt will be less than the amount outstanding on March 31, 1914.

Over one-quarter of the Government's total debt is self-supporting, as it has been incurred in connection with the construction, purchase and improvement of the State Railway System. The State Railways, comprising over 7,000 miles of line out of a total of some 8,500 miles of railway in Japan proper, are valued on the Government's books (at cost of construction or purchase) at over 1,915,000,000 yen. The income accounts of the State Railways are kept entirely separate from the general budget of the Government and show that, in each of the past fifteen years, the State Railways have earned substantial profits after the payment of all expenses, as well as interest charges on the Government's debt allocated to the Railway Department. These profits have been invested in the improvement or extension of the railway system. The net profits for the fiscal year ending March 31, 1924, are estimated at approximately 120,000,000 yen.

In contrast with its general debt (exclusive of the railway debt) of about 3,200,000,000 yen on October 31, 1923, the Government owns State forests, harbour works, the telegraph

and telephone systems, public buildings, special funds and other investments, all aggregating in excess of 12,000,000,000 yen in estimated value at the present time. The total wealth of the Japanese people at the end of 1921, including public wealth, has been estimated by the Government at close to 100 billion yen, or over 21 times the total indebtedness of the Government. This is considerably more favorable than the relation between the national wealth of the United States, according to current published estimates, and the total debt of the United States Government. Interest charges on the general debt of the Japanese Government, as estimated in the budget for the current fiscal year, amount to less than 12% of the Government's total ordinary revenues.

During the past fifteen fiscal years the Government has retired an average of over 39,000,000 yen of its debt annually by means of a statutory amortization fund, the appropriation for this purpose in the current budget being 42,000,000 yen. According to statute, at least 1.16% of the Government's funded debt (and not less than 30,000,000 yen in any event) must be retired each year.

Revenues and Expenditures

In every year since 1881-1882, the ordinary revenues of the Japanese Government have exceeded its ordinary expenditures. Although extraordinary revenues (exclusive of proceeds of loan issues) have not always fully covered extraordinary expenditures, the Government's indebtedness has arisen, not from a series of recurring budget deficits, but, apart from the expenses of the Russo-Japanese War, principally from the purchase and improvement of economic undertakings, such as the railway, telegraph and telephone systems and the development of new territory.

Owing both to the reduction in military and naval expenditures consequent upon the international agreements made at the Washington Conference on Limitation of Armament in 1922, and to a general policy of reduction in expenditures,

recently adopted to aid in financing reconstruction after the earthquake, the Government's appropriations for the coming fiscal year show a substantial reduction from those of a few years ago. Appropriations, ordinary and extraordinary, in the Budget for 1924-1925 (as presented to the Diet) amount to 1,298,837,000 yen, as compared with 1,562,543,000 yen in the Budget for 1921-1922, a reduction of over 263,000,000 yen. The revised Budget for the present fiscal year, ending March 31, 1924, after making allowance for decreases in revenues resulting from the recent earthquake, shows an estimated excess of total expenditures over total revenues of less than 3,000,000 yen, eliminating receipts or expenditures arising from the issuance or retirement of public debt. The Budget for the coming fiscal year, 1924-1925, on the same basis, as presented to the Diet, estimates an excess of total expenditures over total revenues of less than 25,000,000 yen. These sums will be charged, if necessary, against the Government's accumulated surplus, or general fund, which amounted to 657,655,813 yen on March 31, 1923.

The revenues of the Government rest on a broad basis of taxation. In 1922-1923, over 62% of the ordinary revenues of 1,428,206,000 yen were derived from taxes. An income tax of practically universal application, with rates ranging from $\frac{1}{2}$ of 1% to 36%, produced the largest single amount, 223,132,000 yen. Liquor taxes produced 222,585,000 yen; customs duties, 108,044,000 yen; and land tax, 74,326,000 yen. In addition to receipts from a number of other taxes, large revenues are obtained from the postal, telephone and telegraph services, from the State forests and from the net profits of the government monopolies of the manufacture and sale of tobacco, salt and camphor.

After the retirement of the 4 $\frac{1}{2}$ % Sterling Loan above referred to, none of the Government's revenues will be subject to any specific lien, charge or pledge of any nature.

Monetary System and Gold Holdings

Japan adopted a gold monetary standard in 1897, with a unit of currency, the gold yen, equivalent to 49.85 cents in United States currency. The Bank of Japan has the sole power of note issue in Japan proper, and on January 16, 1924, held gold reserves totaling 1,057,000,000 yen against its outstanding note circulation of 1,337,000,000 yen, resulting in the high reserve ratio of 79%. In addition to the gold reserves of the Bank of Japan, the Bank and the Government have bank deposits and short term foreign government securities in New York and London aggregating over \$250,000,000, part of which will be used in the Government's reconstruction program referred to above.

Location, Population and Resources

Japan is the eastern gateway of Asia. In Japan itself are important sources of wealth which have been highly exploited by an energetic population of 56,000,000 people now actively engaged in agriculture, industry, shipping and foreign commerce. Behind Japan lies a vast continent, rich in natural resources and a market for the manufactured goods of the world. By reason of its situation, at the northern approaches to this continent, Japan is in a favored position to play a large part in its future economic development. Korea, on the mainland, but an integral part of the Japanese Empire, the island of Formosa, and other outlying possessions, bring the total population of the Empire up to nearly 80,000,000 people.

Rice is the great staple food of Japan and the country's production is sufficient to supply, on the average, about 95% of the home consumption. Other important crops are sugar, barley, wheat, soya beans, potatoes, tea and tobacco.

Japan is by far the largest producer of raw silk in the world, and supplies about 60% of the world's consumption. The average annual value of the silk production for the five years ending in 1921 was approximately 620,000,000 yen.

Japan's exports of silk during the past five years have averaged about 530,000,000 yen in value, of which the United States has taken, on the average, nearly 90%.

From her mines, Japan procures sufficient coal to satisfy the domestic requirements of about 25,000,000 tons annually, and to export some 2,000,000 tons a year, but is dependent on the near-by continent for supplies of iron ore. Japan's copper mines are valuable sources of wealth; before the war Japan stood next to the United States as an exporter of copper, but a rapidly rising domestic consumption, coupled with an increasing tendency to export in the form of finished articles, has caused the figures of copper exports practically to disappear.

Japan possesses extremely valuable reserves of water power, recently shown by a government survey to total 13,643,000 horsepower, of which 1,694,092 horsepower had been developed as of December 31, 1921. Electrification of the railways has made progress and plans have been approved for large extensions of this work, to be spread over a period of several years.

Industries

Cotton manufacturing occupies first place among Japan's industries. Japan is now the third or fourth largest producer of cotton yarns and textiles in the world, being surpassed only by the United States, the United Kingdom and possibly by India. Japanese mills consume over 1,200,000 bales of Indian cotton annually, and from 600,000 to 800,000 bales of American cotton. The production of cotton textiles is sufficient to supply the home demand and to provide a large surplus for export, chiefly to China. In fact, exports of cotton yarns and cloths are exceeded in value only by exports of silk.

It is well known that the rapid industrial and commercial development of Japan during the past thirty years has been one of the outstanding features of this period. Cotton spinning, the chemical industry and the electrical supply business were early developed. During the war, conditions gave rise

to a period of unprecedented activity in which expansion in shipbuilding and in the manufacture of iron and steel products and machinery were especially prominent.

A few figures illustrative of the extent of Japan's industrial and commercial expansion during the relatively short period of the past fifteen years follow:

	1908	1923	Percentage of Increase
Factory employees.	924,696	1,898,004*	105%
Cotton spindles.....	1,785,879	4,667,416	161%
Corporations—			
Paid-up capital ...	1,037,456,000 yen	10,053,250,000 yen	869%
Bank—			
Paid-up capital...	458,827,000 yen	1,861,337,000 yen	306%
Deposits	1,408,031,000 yen	5,049,188,000 yen	259%
Shipping—Tonnage of steamers	1,152,575	3,321,071	188%
Total foreign commerce	846,208,000 yen	3,435,000,000 yen	306%

*1921

Shipping

By reason of its geographic situation and the necessities of its foreign commerce, Japan has developed into one of the chief maritime nations of the world. Japanese ships carry a substantial share of the sea-traffic of the Pacific, and the income derived by the Japanese from this business is of great benefit to their balance of trade. Having ranked sixth among the nations of the world in steam tonnage owned in 1914, Japan to-day stands third, being outranked only by the United Kingdom and the United States. The latest records show that Japan had a steam fleet of 3,321,071 gross tons at the end of 1923, and that this fleet is fully occupied is shown by the fact that less than 1% of the tonnage was reported idle.

Foreign Commerce

One of the chief features in Japan's economic development during the past thirty years has been the rapid expansion in

her trade with the rest of the world. From a total of less than 200,000,000 yen in 1893, Japan's foreign trade increased to 1,361,000,000 yen in 1913, and in 1923 amounted to approximately 3,435,000,000 yen. The excess of merchandise imports over exports during recent years is being covered to an increasing degree, according to Japanese economists, by the earnings of the Japanese merchant marine and other so-called invisible items in the balance of trade.

The largest items of exports are raw silk and cotton yarns and textiles, which in 1922 constituted about 62% of Japan's total exports. The most important imports are raw cotton, iron and steel, machinery, fertilizers, wool and woolen textiles.

Japan's trade relations with the United States are particularly close and the importance of this trade to both countries can hardly be overemphasized. The United States has consistently been Japan's best customer and her chief source of supply, in 1923 taking 43% in value of her exports, and providing 25% of her imports. In the twelve months ended November 30, 1923, according to United States trade figures, the United States sold \$247,000,000 worth of goods to Japan, and bought \$347,000,000 worth from her. The United Kingdom, Canada, France and Germany were the only countries to which the United States sold more, and the United Kingdom, Canada and Cuba were the only countries from which the United States bought more. American exports to Japan in this period were over 90% as great as American exports to all of South America.

Recovery from the Recent Earthquake

The earthquake and fire of September 1-3, 1923, in Tokio, Yokohama and neighbouring districts, were unprecedented in their extent and in the loss of life and damage to property which they occasioned. The last previous earthquake in any degree comparable with the recent one, took place in 1854, about 70 years ago, and was not nearly as serious as the recent one.

Although the seriousness of the recent earthquake and fire should not be minimized, yet it should be realized that the area affected was but a small part of the Japanese Empire and in the main a centre of consumption, rather than of production. Fatalities were less than $\frac{1}{8}$ th of 1% of the population of the Japanese Empire and the estimated property loss less than 3% of the total estimated wealth of the Empire. Practically none of the silk filatures (where the silk is reeled from the cocoons) were in the damaged territory and the effect on Japan's premier export industry has been only temporary. Only about 10% of the country's cotton spindles were destroyed by the earthquake and fire.

The Japanese authorities and the people of the damaged areas have attacked the problems of restoration of living conditions with the vigor characteristic of their race. As an indication of the progress already made, in Tokio, by the end of September, electric light service had been entirely restored; by the end of October, gas service had been restored in most parts of the city, and by the end of December the same could be said for the city's water supply. At the end of the year, four months after the earthquake, street railway service was 70% of normal, and practically all the railroad lines are now functioning. In a word, communications and public services are now in working order.

The formulation of general plans for the complete restoration of the damaged areas, has been placed in the hands of a Capital Restoration Board, composed of representative men and headed by the Prime Minister. Under the direction of the Ministry of Home Affairs, which is now charged with responsibility for the execution of these plans, Tokio and Yokohama will be rebuilt, with buildings of modern types of construction and for superior in every way to the old cities. In Tokio, a new capital, suitable to modern requirements, with well-planned highway and rapid transit systems, waterways, parks and civic improvements will be laid out. Yokohama, according to present plans, will be rebuilt as a modern seaport.

completely equipped with all of the best features to be found in the various ports of the world. The capacity of the Japanese people for industry and trade has been only slightly and temporarily affected; the actual loss due to damage and destruction of property will be made good in a comparatively short period by the energy and thrift of the Japanese people.

The Subscription Lists of both Cash and Conversion Applications will open on Tuesday, 13th May, 1930, and the latest date for their closing will be Saturday, 17th May, 1930, but either may be closed at an earlier date.

**Imperial Japanese Government 5½% Conversion
Loan of 1930**

for

£12,500,000.

Created under the authority of Law No. 6 of 1906 of the
Imperial Japanese Government.

ISSUE PRICE: £90 PER CENT.

Interest payable on the 1st January and 1st July.

Subscriptions to the above Loan will be applied towards the Conversion and Redemption of the outstanding balance of the Imperial Japanese Government 4% Bonds, issued in November, 1905.

Arrangements have been made by which £2,500,000 of the said Loan will be allotted in full to holders of the above-mentioned 4% Bonds, who have agreed to convert.

Under the Authority of the Imperial Japanese Government a Loan of \$71,000,000 (Dollar Bonds) for the same purpose is being issued in America under the auspices of J. P. Morgan & Co., Kuhn Loeb & Co., The National City Co., First National Bank and The Yokohama Specie Bank, Limited.

Bonds will be to Bearer and the Coupons attached thereto will be payable at the option of the holder in London in Sterling or in New York in U.S. Dollars at the fixed rate of exchange of \$4.8665 per £1. Drawn or matured Bonds will similarly be payable in London or New York, at the option of

the holder, but in the event of the holder of a drawn or maturing Bond desiring to encash the principal in New York, one month's notice of such intention must be given to The Yokohama Specie Bank, Limited, London.

The Imperial Japanese Government undertake to establish a fixed Cumulative Sinking Fund as from the 1st July, 1935, calculated to redeem the entire Loan at latest by the 1st May, 1965; the first redemption thereunder to be completed by the 1st January, 1936.

Westminster Bank Limited,
 Hongkong & Shanghai Banking Corporation,
 The Yokohama Specie Bank, Limited,
 Baring Brothers & Co., Limited,
 Morgan Grenfell & Co.,
 N. M. Rothschild & Sons and
 J. Henry Schroder & Co.

are authorised by the Imperial Japanese Government to receive subscriptions for the above Loan, payable as follows:—

£ 5 per cent. on Application.
 £20 " on Allotment.
 £20 " on 17th June, 1930.
 £20 " on 11th July, 1930.
 £25 " on 12th August, 1930.

Total £90 per cent.

Subscriptions may be made in Cash or in Imperial Japanese Government 4 per cent. Bonds of 1905.

Applications must be made on one of the forms provided herewith, accompanied by the deposit of £5 per cent. in cash, or by Imperial Japanese Government 4 per cent. Bonds of 1905, and it is expressly stipulated that any applicant having elected to pay either in cash or in Bonds cannot alter his engagement as to the mode of payment.

SUBSCRIPTIONS IN CASH.

Cash subscriptions must be for £100 nominal or multiples thereof.

If no allotment be made the deposit will be returned in full, and if only a portion of the amount applied for be allotted, the balance of the deposit will be appropriated towards payment of the amount due on allotment.

Payment in full on allotment or on any subsequent instalment date may be made under discount of 2 per cent. per annum.

Failure to pay any of the instalments when due will render all previous payments liable to forfeiture.

SUBSCRIPTIONS IN IMPERIAL JAPANESE GOVERNMENT 4% BONDS OF 1905.

Subscriptions in Bonds will receive preferential allotment.

Holders who desire to convert must lodge their Bonds with the Coupons attached due 1st January, 1931.

The Coupon due 1st July, 1930, should be retained and encashed in the ordinary course.

Holders will receive in exchange for the total of such Bonds as are accepted for conversion and the said unmaturing Coupons, allotments and adjusting payments in cash on the following basis:—

Total of Imperial Japanese Government 4 per cent. Loan of 1905 Bonds accepted (Nominal)	Allotment of Imperial Japanese Government 5½% Conversion Loan of 1930 (Nominal)	Cash Adjustment	The Coupons due 1st January, 1931, attached to the Scrip (referred to later)
£ 10	£ 10	£1. — . 4	£- . 5. —
£ 20	£ 20	£2. — . 9	£- . 10. —
£100	£110	£1. 4. 2	£2. 15. —
£200	£220	£2. 8. 5	£5. 10. —

The cash adjustment includes the equivalent of the discount allowed to cash subscribers who pay in full on allotment.

Intermediate and larger amounts will be dealt with proportionately.

Subscribers in Bonds should deposit their Bonds when making application, but if this be impossible, Bonds may be deposited to the equivalent of 5 per cent. of the amount of Bonds desired to be converted, or a deposit in cash of not less than £5 per cent. be made. The cash deposit will be refunded when the required Bonds are delivered.

Failure to deliver Bonds on or before 31st May, 1930, will render the deposit liable to forfeiture.

The Imperial Japanese Government undertake to establish a fixed Cumulative Sinking Fund as from the 1st day of July, 1935, calculated to redeem the entire Loan at latest by 1st May, 1965. It will be applied semi-annually, and the first redemption thereunder will be completed by the 1st January, 1936. If the price of the Bonds, exclusive of accrued interest, be under par, the amount available from time to time will be employed in the purchase of Bonds; if the price be par or over, exclusive of accrued interest, redemptions will be effected by drawings in the usual manner at the Office of The Yokohama Specie Bank, Limited, London, ninety days before the date of repayment. The numbers of the Bonds drawn will be announced immediately afterwards by advertisement.

The Imperial Japanese Government reserve the right to redeem the whole of the Loan outstanding, at par, plus accrued interest, at any time after ten years from the date of issue, on giving ninety days' notice.

Scrip Certificates to Bearer with Coupon attached at the rate of £2. 10s. per £100 nominal, payable in London on the 1st January, 1931, representing interest on instalments at five and a half per cent. per annum, will be delivered as soon as possible in exchange for the Allotment Letters and Bankers' Receipts. Bonds will, in due course, be delivered in exchange for the Scrip Certificates.

The Bonds will be to Bearer in denominations of £200.

£100, £20 and £10 with half-yearly Coupons attached for interest at the rate of five and a half per cent. per annum, payable 1st January and 1st July.

The Coupons will be payable at the option of the holder as follows:—

In London at the Office of The Yokohama Specie Bank, Limited, in Sterling;

In New York at the Agency of The Yokohama Specie Bank, Limited, in U.S. Dollars at the fixed rate of exchange of \$4.8665 per £1.

Drawn or matured Bonds will similarly be payable in London or New York, at the option of the holder, but in the event of the holder of a drawn or maturing Bond desiring to encash the principal in New York, one month's notice of such intention must be given to The Yokohama Specie Bank, Limited, London.

The Bonds and the Coupons will be paid without deduction for any taxes, imposts, stamp duties, and assessments, now or at any time hereafter imposed or levied by the Government or by any other taxing authority or jurisdiction in Japan.

Application will be made to the Committee of the Stock Exchange, London, for permission to deal after allotment, and an official quotation will be applied for in due course.

A Brokerage of $\frac{1}{4}$ per cent. will be paid on allotments made in respect of applications bearing the stamp of a Banker, Broker or other approved Agent.

Certified translations of the Law authorising the issue of this Loan may be seen at the Office of Messrs. Alfred Bright & Sons, Solicitors, 15, George Street, Mansion House, London, E. C. 4.

Prospectuses and Forms of Application may be obtained from the Issuing Houses, viz: Westminster Bank Limited, Head Office, 41, Lothbury, E.C.2, 21, Lombard Street E.C.3, 4, Bartholomew Lane, E.C.2, and Branches; Hongkong & Shanghai Banking Corporation, 9, Gracechurch Street, E.C.3; The Yokohama Specie Bank, Limited, 7, Bishopsgate, E.C.2;

Baring Brothers & Co., Limited, 8, Bishopsgate, E.C.2, Morgan Grenfell & Co., 23, Great Winchester Street, E.C.2; N. M. Rothschild & Sons, New Court, St. Swithin's Lane, E.C.4; J. Henry Schroder & Co., 145, Leadenhall Street, E.C.3; and from Panmure Gordon & Co., 1, St. Michael's Alley, Cornhill, E.C.3.

London, 12th May, 1930.

COPY OF LETTER.

From the Financial Commissioner of the Imperial Japanese Government in London, Paris and New York.

(Dated) London, 12th May, 1930.

Gentlemen,

I have pleasure in informing you that under the special Authority given to me by the Imperial Japanese Government I approve of the above Prospectus.

I am, Gentlemen,

Your obedient Servant,

(Signed) JUICHI TSUSHIMA,

Financial Commissioner of the Imperial Japanese Government in London, Paris and New York.

To Westminster Bank Limited,
Hongkong & Shanghai Banking Corporation,
The Yokohama Specie Bank, Limited,
Baring Brothers & Co., Limited,
Morgan Grenfell & Co.,
N. M. Rothschild & Sons and
J. Henry Schroder & Co.

CASH APPLICATION FORM.

Application No. Allotment No.

To be retained by the Bankers.

FORM OF APPLICATION

Subscriptions must be for £100 nominal or any multiple thereof.

Imperial Japanese Government 5½% Conversion Loan of 1930

issue of

£ 12,500,000.

To

Westminster Bank Limited,
41, Lothbury, E.C. 2, and Branches.

Hongkong and Shanghai Banking Corporation,
9, Gracechurch Street, E.C. 3.

The Yokohama Specie Bank, Limited,
7, Bishopsgate, E.C. 2.

Baring Brothers & Co., Limited,
8, Bishopsgate, E.C. 2.

Morgan Grenfell & Co.
23, Great Winchester Street, E.C. 2.

N. M. Rothschild & Sons,
New Court, St. Swithin's Lane, E.C. 4.

J. Henry Schroder & Co.,
145, Leadenhall Street, E.C. 3.

I
v.e request that you will allot $\frac{me}{us}$

£ of the above Loan in accordance with the

Prospectus dated 12th May, 1930, upon which $\frac{1}{we}$ have paid the
Deposit of £..... being at the rate of 5 per
cent., and $\frac{1}{we}$ engage to accept the same or any less amount
which you may allot to $\frac{me}{us}$ and to make the remaining pay-
ments thereon in Cash.

Ordinary Signature.....

Name (in full).....

Address.....

..... 1930.

NOTE.—Please write distinctly.
(Add whether Mr., Mrs. or Miss and Title, if any.)

All Cheques to be made payable to Bearer and Crossed “& Co.”
A separate Cheque must accompany each application.

CONVERSION APPLICATION FORM.

Application No..... Allotment No.....

To be retained by the Bankers.

This form is to be used exclusively by Holders of the Imperial
Japanese Government 4 per cent. Bonds of 1905.

FORM OF APPLICATION

For conversion of above Bonds

into

**Imperial Japanese Government 5½% Conversion
Loan of 1930.**

Issue of £12,500,000.

To

Westminster Bank Limited,
41, Lothbury, E.C. 2, and Branches,
Hongkong and Shanghai Banking Corporation,
9, Gracechurch Street, E.C. 3.

The Yokohama Specie Bank, Limited,
7, Bishopsgate, E.C. 2.

Baring Brothers & Co., Limited,
8, Bishopsgate, E.C. 2.

Morgan Grenfell & Co.,
23, Great Winchester Street, E.C. 2.

N. M. Rothschild & Sons,
New Court, St. Swithin's Lane, E.C. 4.

J. Henry Schroder & Co.,
145, Leadenhall Street, E.C. 3.

\$50,000,000

**IMPERIAL JAPANESE GOVERNMENT
EXTERNAL LOAN OF 1930 THIRTY-FIVE YEAR SINKING
FUND 5½% GOLD BONDS**

(Total issue in the United States \$71,000,000)

Dated May 1, 1930

Due May 1, 1965

Interest payable May 1 and November 1 in New York in dollars
and in London in Sterling as set forth below.

A cumulative semi-annual sinking fund, with payments beginning May 1, 1935, and calculated to be sufficient to redeem the entire issue on or before maturity, is to be applied to the purchase of Bonds if obtainable at or below 100% and accrued interest, or, if not so obtainable, to the semi-annual redemption, commencing November 1, 1935, at 100% and accrued interest, of Bonds called by lot.

Coupon Bonds in denomination of \$1,000.

Not redeemable prior to May 1, 1940 except for the sinking fund. Redeemable, at the option of the Government, on May 1, 1940, or on any interest payment date thereafter, upon three months' published notice, at 100% and accrued interest, but, except for the sinking fund, only as to the entire issue.

Juichi Tsushima, Esq., Financial Commissioner of the Imperial Japanese Government in London, Paris and New York, has written us a letter under date of May 9, 1930, with reference to this Loan, the finances of the Imperial Japanese Government and present economic conditions in Japan. A copy of this letter, from which the following paragraphs are quoted, is printed within.

The Imperial Japanese Government is issuing in the United States of America \$71,000,000 of its External Loan of 1930 Thirty-Five Year Sinking Fund 5½% Gold Bonds, and contemporaneously is issuing in London £12,500,000 Bonds of its 5½% Conversion Loan of 1930. The Bonds of these Loans are to be direct external obligations of the Imperial Japanese Government. Of the \$71,000,000 Bonds of the United States issue, \$50,000,000 Bonds are to be offered for public subscription and \$21,000,000 Bonds are to be exchanged for bonds of the Imperial Japanese Government 4% Sterling Loan of 1905, due January 1, 1931, now under control of the Japanese Government. Of the £12,500,000 Bonds of the Sterling issue, £2,500,000 Bonds are to be exchanged for bonds of the Imperial Japanese Government 4% Sterling Loan of 1905, due January 1, 1931.

Principal and interest of Bonds of the United States issue will be payable in New York City at the office of The Yokohama Specie Bank, Limited, in United States of America gold coin of the standard of weight and fineness existing on May 1, 1930, or in London at the office of The Yokohama Specie Bank, Limited, in pounds sterling at the fixed rate of \$4.8665 to the pound sterling, in either case without deduction for any Japanese taxes, present or future. Principal and interest of Bonds of the Sterling issue will be payable in London in pounds sterling or in New York in dollars at the fixed rate of \$4.8665 to the pound sterling. Payment of the principal of the United States issue in Sterling or of the Sterling issue in dollars shall not be obligatory unless at least one month's written request shall have been made and the holder shall have complied with the reasonable regulations of the Government to assure presentation for such payment.

The proceeds of such of the Bonds of these Loans as are not exchanged for bonds of the Imperial Japanese Government 4% Sterling Loan of 1905, due January 1, 1931, will be applied to their payment at maturity. The 4% Sterling Loan of 1905 was originally issued in the amount of £25,000,000, of which

£1,553,680 bonds have been retired, and £23,446,320 bonds are now outstanding in the hands of the public or under control of the Japanese Government.

**THE ABOVE BONDS ARE OFFERED FOR SUBSCRIPTION,
SUBJECT TO THE CONDITIONS STATED BELOW,
AT 90% AND ACCRUED INTEREST, TO
YIELD 6.20% TO MATURITY.**

Subscription books will be opened at the office of J. P. Morgan & Co., at 10 o'clock a.m., Monday, May 12, 1930. The right is reserved to reject and all applications, and also, in any case, to allot a smaller amount than applied for. All subscriptions will be received subject to the issue and delivery to us of the Bonds as planned and to the approval by counsel of the form and validity of the Bonds and of the relevant documents, proceedings and authorizations.

The amounts due on allotments will be payable at the office of J. P. Morgan & Co., in New York funds to their order, and the date of payment (on or about May 27, 1930) will be stated in the notices of allotment. Temporary Bonds or Interim Certificates, exchangeable for definitive Bonds when received, are to be delivered.

Payment for Bonds allotted may be made in the bonds of the Imperial Japanese Government 4% Sterling Loan of 1905, due January 1, 1931, with unmatured coupons attached, which will be accepted, up to an aggregate principal amount not exceeding £8,500,000, at 100½% and accrued interest (viz., \$99.47 per £20 of bonds of said 4% Sterling Loan if payment is made on May 27, 1930) equivalent to approximately a 3.15% interest yield basis computed from May 27th, 1930 to January 1, 1931. If payment is to be made in this manner, J. P. Morgan & Co. must be so advised on or before May 20, 1930.

J. P. Morgan & Co. **Kuhn, Loeb & Co.**
The National City Company **First National Bank**
 The Yokohama Specie Bank, Limited
New York, May 12, 1930.

Copy of letter from the Financial Commissioner of the Imperial Japanese Government in London, Paris and New York:

London, May 9, 1930

Messrs. J. P. Morgan & Co.
Messrs. Kuhn, Loeb & Co.
The National City Company
The First National Bank of the City of New York
The Yokohama Specie Bank, Limited
New York, N.Y.

Dear Sirs:

With reference to the Imperial Japanese Government External Loan of 1930 Thirty-Five Year Sinking Fund 5½% Gold Bonds, I have the honor to supply the following information.

THE LOAN AND ITS PURPOSE

The Imperial Japanese Government is issuing in the United States of America \$71,000,000 of its External Loan of 1930 Thirty-Five Year Sinking Fund 5½% Gold Bonds, and contemporaneously is issuing in London £12,500,000 Bonds of its 5½% Conversion Loan of 1930. The Bonds of these Loans are to be direct external obligations of the Imperial Japanese Government. Of the \$71,000,000 Bonds of the United States issue, \$50,000,000 Bonds are to be offered for public subscription and \$21,000,000 Bonds are to be exchanged for bonds of the Imperial Japanese Government 4% Sterling Loan of 1905, due January 1, 1931, now under control of the Japanese Government. Of the £12,500,000 Bonds of the Sterling issue, £2,500,000 Bonds are to be exchanged for bonds of the Imperial Japanese Government 4% Sterling Loan of 1905, due January 1, 1931.

Principal and interest of Bonds of the United States issue will be payable in New York City at the office of The Yokohama Specie Bank, Limited, in United States of America gold coin of the standard of weight and fineness existing on May 1, 1930,

or in London at the office of The Yokohama Specie Bank, Limited, in pounds sterling at the fixed rate of \$4.8665 to the pound sterling, in either case without deduction for any Japanese taxes, present or future. Principal and interest of Bonds of the Sterling issue will be payable in London in pounds sterling or in New York in dollars at the fixed rate of \$4.8665 to the pound sterling. Payment of the principal of the United States issue in Sterling or of the Sterling issue in dollars shall not be obligatory unless at least one month's written request shall have been made and the holder shall have complied with the reasonable regulations of the Government to assure presentation for such payment.

Application will be made in due course by the Imperial Japanese Government for the listing of the Bonds of the United States issue on the New York Stock Exchange.

The proceeds of such of the Bonds of these Loans as are not exchanged for bonds of the Imperial Japanese Government 4% Sterling Loan of 1905, due January 1, 1931, will be applied to their payment at maturity. The 4% Sterling Loan of 1905 was originally issued in the amount of £25,000,000, of which £1,553,680 bonds have been redeemed, and £23,446,320 bonds are now outstanding in the hands of the public or under control of the Japanese Government.

None of the Government's revenues or assets is subject to any specific lien, charge or pledge of any nature.

DEBT OF THE IMPERIAL JAPANESE GOVERNMENT

After giving effect to the retirement of the above-mentioned 4% Sterling Loan, due January 1, 1931, and to the issuance of the Bonds of these Loans, the gross direct debt of the Japanese Government as of March 31, 1930 amounted to \$3,009,669,061, of which \$738,931,804 was external debt. The Government's contingent debt, represented by its guaranty of loans of the South Manchurian Railway Company, the Oriental Development Company, Ltd., the Industrial Bank of Japan, Ltd., the City of Tokyo, and the City of Yokohama amounts to \$129,193,091.

Over one-quarter (about \$800,000,000) of the Government's total debt is self-supporting, as it has been incurred in connection with the construction, purchase, and improvement of the State Railway System. The State Railways, comprising, as of March 31, 1930, 8,793 miles of line (out of the total railway mileage in Japan of 12,819 miles), represent a total capital investment of over \$1,526,900,000. In each of the past 15 years, the State Railways have earned substantial profits after the payment of all expenses and interest charges on the Government's debt contracted for railway purposes. The net profits after such charges for the fiscal year ended March 31, 1929 amounted to \$111,024,257.

By statutory provisions a sinking fund in an amount equivalent to 1.16% of the debt outstanding at the commencement of the preceding financial year plus a sum equivalent to at least 25% of the Government's net budget surplus in the second preceding year must be applied annually to the redemption of debt. The amount of debt redeemed by sinking funds in the fiscal year ended March 31, 1930, was \$49,980,430. Appropriations to the sinking fund for 1930-31, including the sums which Japan is to receive under the New Plan for the final settlement of German reparation payments, and the balance which was on hand April 1, 1930 is estimated to furnish over \$69,000,000 which will be available for redemption of debt in the present fiscal year.

RESTORATION OF THE GOLD STANDARD

Japan adopted a gold monetary standard in 1897, with a unit of currency, the gold yen, equivalent to 49.85 cents in United States currency. In September, 1917 an embargo was imposed upon the export of gold from Japan, following a similar measure taken by the United States. The severe earthquake in 1923 added to the economic disturbances of the post-war period and delayed the contemplated removal of the embargo. After a period of careful preparation during which time the Government and the Bank of Japan accumulated

funds abroad and forward contracts aggregating over \$150,000,000, and after The Yokohama Specie Bank, Limited, with the support of the Government and the Bank of Japan had arranged for external stabilization credits in New York and London amounting to approximately \$50,000,000, the Government in November 1929 announced that the embargo on the exportation of gold would be removed on January 11, 1930. On the latter date Japan returned to the gold standard, thereby following the policy adopted in recent years by the other leading countries of the world, including the United States of America and Great Britain, and re-established the external value of her currency at its pre-war level.

The attainment of this objective was effected contemporaneously with the present world wide recession in commerce and trade, and has been attended by deflation and accompanying depression in general business. It is believed that the present policy of strict economy and retrenchment in public finance adopted by the Government should, in due course, lead to improvement in the economic condition of the nation.

The Bank of Japan has the sole power of note issue in Japan proper, and on April 30, 1930, held gold reserves in Japan totaling \$443,339,000 against its outstanding note circulation of \$629,683,000 and demand deposits of \$70,648,000, resulting in a reserve ratio of 63.3%.

Very truly yours,

JUICHI TSUSHIMA.

NOTE.—All figures in the above letter, originally stated in Japanese currency, have been converted into United States Gold Dollars at par of exchange (i.e. 1 yen equals \$0.4985 U.S.)

*The List of Applications will be closed on or before Saturday,
9th October, 1926.*

CITY OF TOKYO 5½% LOAN OF 1926

for

£6,000,000

*Authorized by the City of Tokyo Reconstruction Work Loan
Regulation which has been sanctioned by the Imperial
Japanese Government and was promulgated
4th October, 1926.*

THE PAYMENT OF PRINCIPAL AND INTEREST IS
UNCONDITIONALLY GUARANTEED BY THE
IMPERIAL JAPANESE GOVERNMENT.

SUBSCRIPTION PRICE £83½ PER CENT.

£3,000,000 of the proceeds of this Loan will be applied to the
payment of short term Debts.

INTEREST PAYABLE 30th JUNE and 31st DECEMBER.

The City of Tokyo undertakes to establish a fixed cumulative
Sinking Fund beginning from the 7th October, 1931,
and calculated to redeem the entire Loan
at latest by 31st December, 1961.

Westminster Bank Limited,
Hongkong & Shanghai Banking Corporation,
The Yokohama Specie Bank, Limited,

Messrs. Baring Brothers & Co., Limited,
Messrs. Morgan Grenfell & Co.,
Messrs. N. M. Rothschild & Sons, and
Messrs. J. Henry Schroder & Co.

are authorised to receive subscriptions for the above Loan,
payable as follows:—

£ 5	per cent.	on Application.
£23. 10s.	" "	on Allotment.
£30	" "	on 15th November, 1926
£25	" "	on 13th December, 1926.

Total £83. 10s. per cent.

Payment in full on allotment, or on 15th November, 1926,
may be made under discount at the rate of three per cent. per
annum.

Appended hereto are copies of two Letters addressed to the
Issuing Houses, signed by Mr. Kengo Mori, Financial Commis-
sioner of the Imperial Japanese Government in London, Paris
and New York.

The City of Tokyo undertakes to redeem the entire Loan
by the 31st December, 1961, by purchases when the price of
the Bonds, exclusive of accrued interest, is under par, or by
drawings at par should the price, exclusive of accrued interest,
be at or above par. A redemption table is printed at the
back hereto.

The City of Tokyo reserves the right to accelerate the
redemption at any time by purchase; also at any time after
10 years from the date of issue, on giving ninety days' notice,
to repay at par plus accrued interest the amount of the Loan
outstanding or any portion thereof.

Partial redemption will be effected by drawings, and such
drawings shall take place in the usual manner at the Office in
London of The Yokohama Specie Bank, Limited. The numbers

of the Bonds drawn will be announced immediately afterwards
by advertisement.

Subscriptions must be for £100 nominal or multiples
thereof, and applications should be made on the enclosed form
accompanied by the deposit of £5 per cent.

If no allotment be made the deposit will be returned in
full, and if only a portion of the amount applied for be
allotted, the balance of the deposit will be appropriated towards
the payment of the amount due on allotment. Any surplus
remaining will be refunded.

Failure to pay any of the instalments when due will render
previous payments liable to forfeiture.

Scrip Certificates to Bearer with Coupon attached at the
rate of 12s. 6d. per £100 nominal, payable on the 31st
December, 1926, representing interest on instalments at five and
a-half per cent. per annum, will be delivered as soon as
possible in exchange for the Allotment Letters and Bankers'
Receipts. Bonds will, in due course, be delivered in exchange
for the Scrip Certificates.

The Bonds will be to Bearer in denominations of £200,
£100 and £20, with half-yearly Coupons attached for interest
at the rate of five and a-half per cent. per annum, payable 30th
June and 31st December at The Yokohama Specie Bank,
Limited, 7, Bishopsgate, London, E.C. 2.

Application will be made to the Committee of the Stock
Exchange, London, for permission to deal, after allotment, and
an official quotation will be applied for in due course.

A Brokerage of $\frac{3}{4}$ per cent. will be paid on allotments
made in respect of applications bearing the stamp of a Banker,
Broker or other approved Agent.

The City of Tokyo Reconstruction Work Loan Regulation
authorising the issue of these Bonds, Letters from Mr. Kengo
Mori, Financial Commissioner of the Imperial Japanese Govern-
ment in London, Paris and New York, and certified translations

of the Acts of the Imperial Diet sanctioning the Imperial Japanese Government's guarantee as to the repayment of the Principal and payment of the Interest of the said Bonds, and further empowering the Imperial Japanese Government to give the Municipality the necessary financial aid, may be seen at the Office of Messrs. Alfred Bright & Sons, Solicitors, 15, George Street, Mansion House, London, E.C. 4, during business hours, so long as the Application Lists remain open.

Prospectuses and Forms of Application may be obtained from the Issuing Houses, viz.: Westminster Bank Limited, Head Office, 41, Lothbury, E.C. 2, 21, Lombard Street, E.C. 3, 4, Bartholomew Lane, E.C. 2, and Branches; Hongkong & Shanghai Banking Corporation, 9, Gracechurch Street, E.C. 3; The Yokohama Specie Bank, Limited, 7, Bishopsgate, E.C. 2; Messrs. Baring Brothers & Co., Ltd., 8, Bishopsgate, E.C. 2; Messrs. Morgan Grenfell & Co., 23, Great Winchester Street, E.C. 2; Messrs. N. M. Rothschild & Sons, New Court, St. Swithin's Lane, E.C. 4; Messrs. J. Henry Schroder & Co., 145, Leadenhall Street, E.C. 3; and from Messrs. Panmure Gordon & Co., 1, St. Michael's Alley, Cornhill, E.C. 3.

London, 7th October, 1926.

Copy of Letter from the Financial Commissioner of the Imperial Japanese Government in London, Paris and New York.

7, Bishopsgate, London, E.C. 2.
7th October, 1926.

Gentlemen,

With reference to the City of Tokyo 5½ per cent. Loan of 1926 for an amount of £6,000,000, in respect of which you are authorised to invite subscriptions on the London Market, I have the honour to supply the following statistics concerning the City and its finances:—

Population (1st October, 1925)... .. 1,995,567
Value of City Property (30th November, 1925) Y.383,295,074
Total Debt of City (31st July, 1926), including { £8,072,720
£3,000,000 short-term debts repayable as { Fcs.87,303,500
mentioned below Y.183,240,936

Of these sums, £5,220,300, Fcs.87,303,500, and Y.121,354,623 are in respect of reproductive undertakings which represent about 64.66%, 100%, and 66.22% of the total debts in the respective currencies.

ANNUAL REVENUE AND EXPENDITURE.

For the Fiscal Years 1918-19 to 1926-27.

Fiscal Year.	Total Revenue.	Total Expenditure.
1918-19... ..	Y. 60,056,762	Y. 50,761,808
1919-20... ..	81,933,732	74,122,434
1920-21... ..	123,572,196	110,993,414
1921-22... ..	141,351,900	121,519,318
1922-23... ..	201,483,533	157,466,364
1923-24... ..	211,389,862	177,994,135
1924-25... ..	253,459,809	189,563,957
1925-26 (estimate) ...	290,064,228	274,693,956
1926-27 (estimate) ...	337,683,669	333,625,985

The proceeds of this Loan will be applied to the repayment of the short term debts amounting to £3,000,000, and also towards meeting expenditure in respect of reconstruction work rendered necessary by the Earthquake in 1923. The payment of the Principal and Interest of the Loan (which is unconditionally guaranteed by the Imperial Japanese Government) will be a charge upon the total annual net revenues of the Municipality, this charge being subject only to the charges already made in favour of the Loans of £1,500,000 issued in 1906 (outstanding balance £882,420), £5,175,000 and Fcs.100,880,000 issued in 1912 (outstanding £4,190,300 and Fcs.87,303,500 respectively). During the actual period of reconstruction, however, which ends in the fiscal year 1928-29, the Imperial

Japanese Government will specially provide the funds for the payment of the interest on the whole of the Municipal Loans raised in such period, except on certain amounts issued for the purposes of waterworks and electric undertakings.

The scheme of reconstruction of the Municipality has been designed with a view not only to complete the restoration, but also to effectively improve and efficiently equip the City so as to provide for its future development. The authorities have sought to promote the general welfare of the citizens and to provide for their health, by well-considered plans affecting the parks, markets, streets, canals, &c. It has also been decided that in all important localities the buildings erected shall be fireproof.

Having regard, therefore, to the very wide scope of the reconstruction work contemplated, it has been divided, for convenience in execution, into two classes according to its nature, one to be undertaken by the Imperial Japanese Government and the other by the Municipality. The total cost is estimated at Y.626,709,598, and this amount is to be spread over a period ending with the fiscal year 1928-29. Over 50 per cent. is to be born by the Imperial Japanese Government.

With regard to the balance for which the Municipality is responsible, the Imperial Japanese Government is lending assistance to the extent of just over 55 per cent.

Tokyo, as the capital of the Empire, is very favourably situated with regard to its revenue, its resources being very large compared with other municipalities. Its actual taxation also, comparatively speaking, is light. In the fiscal year 1924-25, a comparison of the rate of taxation of the six largest cities of Japan per head of population shows the City of Tokyo to rank fourth, as only in two cases is the taxation per head less than that of the capital City. There is ample scope, therefore, for increasing taxation, should such a course be deemed expedient.

Considering the progress which has already been made and

the rapid return of the business life of the City, it can be confidently predicted that the amounts received from taxation will have fully recovered as early as the fiscal year 1928-29. Statistics show a steady and ever-increasing surplus in the city tax and other forms of revenue, and it is anticipated that progress will be more marked when the reconstruction work finishes in that year, so that from 1929-30 the Municipality will be in a position to meet from its revenue the service of the Loans issued for reconstruction purposes,

I am, Gentlemen,

Your obedient Servant,

(Signed) KENGO MORI,

Financial Commissioner of the Imperial
Japanese Government in London,
Paris and New York.

To Westminster Bank Limited.

Hongkong & Shanghai Banking Corporation.

The Yokohama Specie Bank, Limited.

Messrs. Baring Brothers & Co., Limited.

Messrs. Morgan Grenfell & Co.

Messrs. N. M. Rothschild & Sons.

Messrs. J. Henry Schroder & Co.

*Copy of Letter from the Financial Commissioner of the Imperial
Japanese Government in London, Paris and New York.*

7, Bishopsgate, London, E.C. 2.

7th October, 1926.

Gentlemen,

I have the pleasure to inform you that the Imperial Japanese Government have agreed and undertaken to guarantee the due payment of Principal and Interest of the present issue

by the City of Tokyo for £6,000,000 as stated in the Prospectus dated 7th October, 1926, and that such guarantee will be embodied in the Bonds which will be countersigned by me on behalf of the Imperial Japanese Government.

I am, Gentlemen,

Your obedient Servant,

(Signed) KENGO MORI,
Financial Commissioner of the Imperial
Japanese Government in London,
Paris and New York.

To Westminster Bank Limited.

Hongkong & Shanghai Banking Corporation.

The Yokohama Specie Bank, Limited.

Messrs. Baring Brothers & Co., Limited.

Messrs. Morgan Grenfell & Co.

Messrs. N. M. Rothschild & Sons.

Messrs. J. Henry Schroder & Co.

Redemption Table referred to within.

Period.	Amount to be repaid.	Period.	Amount to be repaid.
7 Oct., 1931/30 June, 1932	£40,300	Brought forward	£1,933,300
30 June, 1932/31 Dec., 1932	41,400	30 June, 1947/31 Dec., 1947	93,500
31 Dec., 1932/30 June, 1933	42,600	31 Dec., 1947/30 June, 1948	96,100
30 June, 1933/31 Dec., 1933	43,700	30 June, 1948/31 Dec., 1948	98,700
31 Dec., 1933/30 June, 1934	44,900	31 Dec., 1948/30 June, 1949	101,400
30 June, 1934/31 Dec., 1934	46,200	30 June, 1949/31 Dec., 1949	104,200
31 Dec., 1934/30 June, 1935	47,500	31 Dec., 1949/30 June, 1950	107,100
30 June, 1935/31 Dec., 1935	48,700	30 June, 1950/31 Dec., 1950	110,000
31 Dec., 1935/30 June, 1936	50,100	31 Dec., 1950/30 June, 1951	113,000
30 June, 1936/31 Dec., 1936	51,500	30 June, 1951/31 Dec., 1951	116,200
31 Dec., 1936/30 June, 1937	52,900	31 Dec., 1951/30 June, 1952	119,300
30 June, 1937/31 Dec., 1937	54,300	30 June, 1952/31 Dec., 1952	122,700
31 Dec., 1937/30 June, 1938	55,800	31 Dec., 1952/30 June, 1953	126,000
30 June, 1938/31 Dec., 1938	57,100	30 June, 1953/31 Dec., 1953	129,400
31 Dec., 1938/30 June, 1939	59,000	31 Dec., 1953/30 June, 1954	133,000
30 June, 1939/31 Dec., 1939	60,500	30 June, 1954/31 Dec., 1954	136,700
31 Dec., 1939/30 June, 1940	62,300	31 Dec., 1954/30 June, 1955	140,500
30 June, 1940/31 Dec., 1940	63,900	30 June, 1955/31 Dec., 1955	144,300
31 Dec., 1940/30 June, 1941	65,700	31 Dec., 1955/30 June, 1956	148,200
30 June, 1941/31 Dec., 1941	67,500	30 June, 1956/31 Dec., 1956	152,400
31 Dec., 1941/30 June, 1942	69,100	31 Dec., 1956/30 June, 1957	156,500
30 June, 1942/31 Dec., 1942	71,800	30 June, 1957/31 Dec., 1957	160,800
31 Dec., 1942/30 June, 1943	73,200	31 Dec., 1957/30 June, 1958	165,300
30 June, 1943/31 Dec., 1943	75,300	30 June, 1958/31 Dec., 1958	169,800
31 Dec., 1943/30 June, 1944	77,800	31 Dec., 1958/30 June, 1959	174,500
30 June, 1944/31 Dec., 1944	79,400	30 June, 1959/31 Dec., 1959	179,300
31 Dec., 1944/30 June, 1945	81,700	31 Dec., 1959/30 June, 1960	184,200
30 June, 1945/31 Dec., 1945	83,800	30 June, 1960/31 Dec., 1960	189,200
31 Dec., 1945/30 June, 1946	86,200	31 Dec., 1960/30 June, 1961	194,500
30 June, 1946/31 Dec., 1946	88,600	30 June, 1961/31 Dec., 1961	199,900
31 Dec., 1946/30 June, 1947	90,900		
Carried forward	£1,933,300	Total	£6,000,000

Application No. Allotment No.

To be Retained by the Bankers.

FORM OF APPLICATION

Subscriptions must be for £100 nominal or any multiple thereof.

CITY OF TOKYO 5½% LOAN OF 1926

Issue of

£6,000,000

To

Westminster Bank Limited,
41, Lothbury, E.C. 2, and Branches.

Hongkong and Shanghai Banking Corporation,
9, Gracechurch Street, E.C. 3.

The Yokohama Specie Bank, Limited,
7, Bishopsgate, E.C. 2.

Messrs. Baring Brothers & Co., Limited,
8, Bishopsgate, E.C. 2.

Messrs. Morgan Grenfell & Co.,
23, Great Winchester Street, E.C. 2.

Messrs. N. M. Rothschild & Sons,
New Court St., Swithin's Lane, E.C. 4.

Messrs. J. Henry Schroder & Co.,
145, Leadenhall Street, E.C. 3.

$\frac{I}{We}$ request that you will allot to $\frac{me}{us}$ £
of the above Loan in accordance with the Prospectus dated
7th October, 1926, upon which $\frac{I}{we}$ have paid the Deposit of

£ being at the rate of 5 per cent., and $\frac{I}{we}$
engage to accept the same or any less amount which you may
allot to $\frac{me}{us}$ and to make the remaining payments thereon in
cash in terms of the Prospectus.

Ordinary Signature.....

Name (in full).....

Address.....

..... 1926.

NOTE.—Please write distinctly.
(Add whether Mr. Mrs. or Miss and Title if any.)

All Cheques to be made payable to Bearer and Crossed "& Co."
A separate Cheque must accompany each application.

\$19,740,000

City of Yokohama External Loan of 1926

SINKING FUND 6% GOLD BONDS

**Unconditionally Guaranteed by the
IMPERIAL JAPANESE GOVERNMENT**

**As to Principal, Interest and Sinking Fund by Endorsement
on each Bond.**

Dated December 1, 1926

Due December 1, 1961

Interest payable June 1 and December 1

A cumulative Sinking Fund of 1% per annum, calculated to be sufficient to redeem the entire issue on or before maturity, is to be applied to the purchase of Bonds of obtainable at or below 100% and accrued interest, or if not so obtainable, to the redemption on June 1 of each year commencing June 1, 1928, at 100% and accrued interest, of Bonds called by lot.

Redeemable in whole or in part, at the option of the City, on December 1, 1941, or on any interest date thereafter prior to maturity, at 100% and accrued interest.

COUPON BONDS IN DENOMINATION OF \$1,000.

Principal and interest payable in New York City at the office of Yokohama Specie Bank, Ltd., in United States of America gold coin of the present standard of weight and fineness, without deduction for any Japanese taxes present or future.

Kengo Mori, Esq., Financial Commissioner of the Imperial Japanese Government in London, Paris and New York, has written us a letter under date of November 22, 1926, with reference to the City's finances and the purposes of the Loan. A copy of this letter is printed within.

**THE ABOVE BONDS ARE OFFERED FOR SUBSCRIPTION,
SUBJECT TO THE CONDITIONS STATED BELOW,
AT 93% AND ACCRUED INTEREST, TO
YIELD OVER 6.50% TO MATURITY.**

Subscription books will be opened at the office of J. P. Morgan & Co. at 10 o'clock A.M., Tuesday, November 23, 1926. The right is reserved to reject any or all applications, and also in any case to allot a smaller amount than applied for. All subscriptions will be received subject to the due delivery to us of the Bonds bearing the Imperial Japanese Government guaranty, and to approval by counsel of the sufficiency of relevant documents and authorizations.

The amounts due on allotments will be payable at the office of J. P. Morgan & Co. in New York funds to their order, and the date of payment (on or about December 13, 1926) will be stated in the notices of allotment. Temporary Bonds or Interim Certificates, exchangeable for definitive Bonds when received, are to be delivered.

J. P. Morgan & Co.

Kuhn, Loeb & Co.

The National City Company

First National Bank

Yokohama Specie Bank, Ltd.

New York, November 23, 1926.

Copy of Letter from the Financial Commissioner of the Imperial Japanese Government in London, Paris and New York.

New York, November 22, 1926.

Messrs. J. P. Morgan & Co.,
New York, N. Y.

Dear Sirs:

With reference to the \$19,740,000 City of Yokohama External Loan of 1926 Sinking Fund 6% Gold Bonds, which are to be guaranteed by endorsement as to principal, interest and sinking fund payments by the Imperial Japanese Government, I have the honor to supply the following information concerning the City and its finances, and the guaranty of the Imperial Japanese Government:

GENERAL

Yokohama is the leading seaport of Japan. Situated about twenty miles south of Tokyo, it is the gateway for that metropolis and the most suitable port for foreign trade on the eastern seaboard of Japan. About 40% of the total exports and imports of Japan and over 60% of the Japanese trade with the United States normally pass through Yokohama. Following the earthquake and fire of September, 1923, the tonnage of foreign trade handled through Yokohama declined sharply, but has since recovered to normal proportions. The central Government undertook the reconstruction, at its own expense, of the state-owned port facilities; upon the completion of the reconstruction of these facilities, the capacity and efficiency of the port will be considerably greater than before the earthquake.

The population of the City, which fell from 441,048 to 309,550 immediately after the earthquake, has since increased to an estimated number of 406,000 at the end of 1925.

PURPOSE OF LOAN

The proceeds of the present issue are to be used in completing the reconstruction of the City's self-supporting undertakings, viz., the street railway system, the water works and the gas supply works, in completing its general reconstruction work, and in refunding short-term loans raised for similar purposes. The general program of reconstruction of municipal property, which involved a total expenditure of \$46,051,700, is to be completed by March 31, 1929. The Imperial Japanese Government undertook to bear approximately 41%, and the City 59%, of the total cost. Of the amount of \$27,082,059 to be borne by the City, the Government has advanced \$9,257,725, to be repaid by the City within thirty years, and the balance of \$17,824,334 is to be provided from the proceeds of the present issue.

The reconstruction of Yokohama was planned not only with the purpose of restoring the damaged area, but also with the purpose of improving the plan and equipment of the City and of providing for its future development. In all important localities, the buildings erected are to be fireproof.

CITY PROPERTIES

The City owns and operates the street railway system, the water works, and the gas supply works, none of which have any competition from private companies. All of these are normally self-supporting, their net revenues being sufficient to cover interest and sinking fund charges on the municipal debt contracted for their purchase and improvement. The total value of the assets owned by the City of Yokohama, consisting of its self-supporting undertakings and of land, buildings, securities and cash, was estimated at \$38,671,209 as of December 31, 1925.

DEBT OF THE CITY

The City's debt as June 30, 1926, giving effect to the issuance of the present Loan and to the retirement of certain

short-term loans from the proceeds thereof, was as follows:

Internal	\$25,205,343
External	24,426,418
Total	\$49,631,761

The external debt of the City in the amount stated above consists of this issue and of three loans issued in London in the years 1907 to 1912 in Sterling form. These Sterling loans bear 5% coupons and are secured by general charge on all the taxes and other revenues of the City, but are not guaranteed by the Imperial Japanese Government. Two of the Sterling loans are secured by special charge on certain specific revenues.

CITY FINANCES

The Imperial Japanese Government exercises a considerable measure of supervision over municipal finances, the borrowing powers of the municipalities being limited and subject to the approval of the central Government. The City of Yokohama obtains its revenues from taxes and from the operation of the self-supporting municipal utilities. Tax revenues are derived both from taxes levied directly by the City and from the City's Share in certain taxes levied by the central and prefectural governments. Before the earthquake and fire of September, 1923, the ordinary revenues of the City normally exceeded its ordinary expenditures, exclusive of capital expenditures for the extension or improvement of the City's properties. Following the earthquake, there was necessarily a considerable decrease in tax receipts and in the net revenues of the municipal utilities. Tax receipts are now increasing, however, and the earning power of the municipal undertakings has been virtually restored by the reconstruction already effected.

GUARANTY OF IMPERIAL JAPANESE GOVERNMENT

All the Bonds of this Loan will be unconditionally guaranteed by the Imperial Japanese Government as to the payment of principal, interest and sinking fund, by endorse-

ment on each Bond.

The gross direct debt of the Japanese Government, outstanding on September 30, 1926, amounted to \$2,577,251,000, of which \$739,131,000 was external debt. The Government's contingent debt, represented by its guaranty of loans of the South Manchurian Railway Company, the Oriental Development Company, Ltd., the Industrial Bank of Japan, Ltd., the City of Tokyo, and the City of Yokohama (this issue) amounts to approximately \$108,300,000. The population of Japan proper is over 60,000,000.

Over one-quarter (about \$660,000,000) of the Government's total debt is self-supporting, as it has been incurred in connection with the construction, purchase, and improvement of the State Railway System. The State Railways, comprising, as of March 31, 1925, 7,837 miles of line (out of the total railway mileage in Japan of 10,884 miles), represent a total capital investment of over \$1,161,605,000. In each of the past 15 years, the State Railways have earned substantial profits after the payment of all expenses and interest charges on the Government's debt contracted for railway purposes. The net profits for the fiscal year ended March 31, 1926 amounted to \$71,629,000.

In contrast with its general debt (exclusive of the railway debt) of about \$1,917,251,000 on September 30, 1926, the Government owns state forests, harbor works, telephone and telegraph systems, public buildings, special funds and other investments, having an estimated value in excess of \$6,000,000,000.

In every year since 1881-1882, the ordinary revenues of the Japanese Government have exceeded its ordinary expenditures. Although extraordinary revenues (exclusive of proceeds of loan issues) have not always fully covered extraordinary expenditures, the Government's indebtedness has arisen, not from recurrent budget deficits, but (apart from war and reconstruction expenses) principally from the purchase and improvement of economic undertakings, such as the railway, telegraph and telephon systems and from the development of new territory.

All figures originally stated in Japanese currency have been converted in this letter at the rate of two yen to the United States dollar.

Application will be made by the City of Yokohama, in due course, for the listing of these Bonds on the New York Stock Exchange.

Very truly yours,

KENGO MORI

The Subscription List will open at 9 a.m. on Thursday, 7th June, 1928, and close on or before Friday 8th June, 1928.

TOKYO ELECTRIC LIGHT CO., LIMITED

(TOKYO DENTO KABUSHIKI KAISHA)

(Incorporated under the Laws of Japan)

Issued Share Capital - - Yen 407,149,000 (£40,714,900)

£4,500,000 6% First Mortgage Bonds

(Sterling Series)

(The Bonds now offered rank pari passu with \$70,000,000 of Bonds being issued by Guaranty Company of New York and Yen 60,000,000 of Bonds being issued by The Mitsui Bank Limited and The Yasuda Bank Limited. Power is also reserved to the Company to issue additional Bonds as within mentioned).

ISSUE PRICE 90 PER CENT.

The holders of the existing £3,600,000 6 per cent. Sterling Bonds due 1948, have been given the right to convert into the Bonds of this issue on the terms set out in a circular addressed to them by the Company.

Principal and Interest of the Sterling Bonds will be paid to persons not resident in Japan without deduction in respect of any present and future Japanese taxes and will be payable in London in sterling at the offices of Messrs. Lazard Brothers & Co., Limited, or at the option of the holders in New York in dollars at the fixed exchange of \$4.8665 to the £ at the offices of Guaranty Trust Company of New York.

The Sterling Bonds will be to Bearer in denominations of

£500, £100 and £50 with half-yearly coupons attached payable 15th June and 15th December, the first full coupon being payable 15th June, 1929. A coupon for £2 5s. 0d. per £100 Bond payable on the 15th December, 1928 (in sterling only), representing interest at 6 per cent. per annum on the instalments from their due dates will be attached to the Scrip Certificates.

The Bonds will be repayable at par on 15th June, 1953. The Company will in each year apply an amount equal to 1.6 per cent. of the total amount of the Sterling Bonds issued (whether still outstanding or not) in the redemption of such Bonds by purchase at or below par plus accrued interest or by drawings at par. The first operation of the Sinking Fund will be in respect of the period ending 15th June, 1929. There are corresponding Sinking Funds for the Dollar and Yen Series Bonds.

The Company reserves the right to redeem the whole or any part of the Bonds on any interest date at par and accrued interest on giving not less than sixty days' notice.

The Bonds are secured by a Trust Deed in favour of The Mitsui Bank Limited as Trustee and by fully registered First Mortgages under the Laws of Japan as more fully described within.

Messrs. Lazard Brothers & Co., Limited, and The Whitehall Trust, Limited, having agreed to purchase the above £4,500,000 Bonds, offer them for public subscription at the price of 90 per cent., payable as follows:—

£10	per cent.	on Application.
£20	"	on the 13th June, 1928.
£25	"	on the 13th July, 1928.
£35	"	on the 17th August, 1928.
<hr/>		
TOTAL	£90	per cent.

Payment in full may be made on the 13th June, 1928, or 13th July, 1928, under discount at the rate of 3 per cent. per annum.

The following letter has been received by Messrs. Lazard Brothers & Co., Limited, and The Whitehall Trust, Limited, from Mr. S. Wakao, President of the Company:—

Tokyo, Japan,
30th May, 1928.

Gentlemen,

The Tokyo Electric Light Co., Limited, which was established in the year 1886, is now the largest Electric Light and Power Company in Japan and one of the largest in the world. It has paid a dividend on its share capital in every year of its existence.

The Company holds a position of national importance in Japan, which has recently been greatly strengthened by the absorption of the Tokyo Electric Power Co., Limited, the only other Company conducting important operations within its territory.

The Company serves an area of about 11,395 square miles with a rapidly growing population now in excess of 12,900,000, or about one-fifth of the entire population of Japan proper. The territory served includes Greater Tokyo with a population of 4,100,000 according to 1925 census, the great industrial district along the shore of Tokyo Bay, Yokohama, and other important industrial and commercial centres.

Japan is one of the largest producers of electrical power in the world, her generating capacity in operation having increased during the last twenty years from 115,000 kilowatts in 1907 to 3,203,000 kilowatts in 1926. The fact that, in spite of this, her consumption per head is still comparatively low shows that considerable room for expansion remains.

The Company operates generating stations with a total installed capacity of 652,016 kilowatts, of which approximately 75 per cent. is hydro-electric. It holds in reserve valuable water power sites with an estimated capacity in excess of 300,000 kilowatts.

The Company has contracts for the purchase of 275,000 kilowatts of additional power, of which 202,000 kilowatts are purchased from associated Companies. The power generated and purchased has increased from 1,350,271,000 kilowatt hours in 1925 to 2,614,978,000 kilowatt hours being the output for the year ending November 30th, 1927, by the properties now constituting the Company's system.

The Company's business is well diversified, approximately half its revenue being derived from lighting and half from power, while the power load is widely distributed over a number of different industries.

Messrs. Deloitte, Plender, Griffiths & Co., and Messrs. Harold Bell, Taylor, Bird & Co., have at your request examined the books and accounts of the Company, and of the Tokyo Electric Power Co., Ltd., for the three years ended 30th November, 1927, and have certified that the combined net earnings available for interest and depreciation, after eliminating receipts and expenditure of an unusual and non-recurring nature, but before providing for interest on loan, were as follows:—

Year ended 30th November, 1925	£ 3,355,442
" " " " 1926	£ 4,445,082
" " " " 1927	£ 4,836,795

The amount required to pay the annual interest on the whole of the present issues of the First Mortgage Bonds is £1,493,043.

An inspection of the Company's property and plant has recently been carried out on your behalf by Messrs. Stone and Webster, Inc., the well-known firm of American engineers, who have certified that the depreciated replacement value of the Company's fixed property alone amounts to somewhat more than twice the amount of the present issues. Their valuation takes no account of the value of the Company's water rights and franchises.

All of the Company's water rights and franchises for the

generation and sale of electricity extend beyond the date of maturity of the Bonds. All such rights in Japan are granted under the authority of the Imperial Government, which has general supervisory power over electric companies, and reserves the inherent sovereign right to extend or revoke under certain conditions grants made to such companies.

While the recent policy of amalgamation and extension has resulted in some reduction in dividends on the largely increased capital, the Directors are confident that in the near future the Company will reap the benefits of that policy and of the elimination of the competition of the Tokyo Electric Power Co., Ltd. This view is borne out by the fact that the net earnings of the first four months of this year are estimated by the Company to show an expansion of 9 per cent. as compared with the same period of the previous year.

The proceeds of the Bonds which you are purchasing, and of the Yen and Dollar issues which are also being made, are to be employed in redeeming (a) £3,600,000 London issue of 6 per cent. Bonds due 1948, (b) \$24,000,000 6 per cent. 3-year Notes due the 1st August, 1928, and in repaying advances by the Company's Bankers (mainly contracted for the purpose of carrying out further capital extensions and acquiring other properties) and for the general purposes of the Company.

On the completion of the present financing the above issues of First Mortgage Bonds will constitute the only secured indebtedness of the Company. In addition to the above, the Company has Yen 133,250,000 of unsecured Debentures outstanding in Japan.

Although the figures in this letter are given in Sterling, the Company's Accounts are kept in Yen. For the purpose of this letter the Yen exchange has been calculated at the rate of 2s. 0d. per Yen, the present rate being 1s. 10¹/₂d.

For Tokyo Electric Light Co., Ltd.,
SHOHACHI WAKAO, *President.*

The Bonds are secured by a Trust Deed in favour of The Mitsui Bank Limited, as Trustee, and by fully registered Mortgages under the Laws of Japan as a first fixed and specific mortgage and charge upon "Factory Estates" comprising substantially the whole of the existing power plants, substations, transmission lines, distribution systems and other immovable property of the Company used in connection with the generation, manufacture, transmission, distribution and supply of electricity as more fully described in the Trust Deed and the Mortgages. The Company has covenanted to mortgage and charge all other similar property hereafter acquired by the Company which constitutes an integral part of the system as then mortgaged and which can be mortgaged under the Laws of Japan.

The Trust Deed makes provision for inspection of the mortgaged property by an independent engineer every four years, beginning in 1932, with a view to securing that the property shall be kept up in a satisfactory condition for economic operation.

By the Trust Deed the Company reserves the right to issue additional Bonds (ranking *pari passu* in point of charge with the original \$70,000,000, Yen 60,000,000 and £4,500,000) on such terms as to rate of interest date and terms of redemption, currencies in which payable, and otherwise as the Company may fix at the time of issue thereof within and subject to the following limitations, namely:—

- (a) Bonds to replace prior charges, if any, on property acquired after 15th June, 1928, or to replace Bonds secured by the Trust Deed and retired otherwise than by operation of any sinking fund, can be issued to the nominal amount of the prior charges or Bonds retired.
- (b) Bonds can be issued to an amount equal to 60 per cent. of any "net property additions" as defined in the Trust Deed. Pending the creation of "net property

additions," Bonds can be issued to an amount equal to the amount of cash deposited with the Trustee.

- (c) An additional amount of Bonds equivalent to Yen 31,000,000 can be issued without any restriction other than the unanimous consent of the Fiscal Agents, namely, Lazard Brothers & Co., Limited, The Whitehall Trust, Limited, Guaranty Trust Company of New York and The Mitsui Bank Limited.

Provided that issues under sub-head (b) can only be made to the extent that the net earnings (calculated in accordance with the Trust Deed) derived from the business of generating, manufacturing, transmitting and delivering electricity for twelve consecutive months ending within the twelve months immediately preceding the application to the Trustee for delivery of the additional Bonds shall have been at least $2\frac{1}{2}$ times the amount required for payment of interest on all outstanding Bonds secured by the Trust Deed plus the proposed further issue and on all prior charges, if any.

Water rights and franchises cannot be mortgaged under the Law of Japan, but the Trust Deed provides that the Company shall deposit with the Trustee assignments in blank of all water rights and franchises now held or hereafter acquired by it relating to the property mortgaged. The Imperial Japanese Government has been informed of the mortgaging of the properties to secure the Bonds, and has given formal assurance that if the properties are purchased by the Imperial Government or by Municipalities, the rights of the Bondholders will be recognised.

Provisional Scrip Certificates to bearer will be issued in exchange for the Letters of Acceptance on and after 18th June, 1928, and the Scrip when fully paid will be exchangeable in due course for Definitive Bonds. Failure to pay any instalment when due will render all previous payments liable to forfeiture and the Letter of Acceptance or Scrip liable to cancellation.

Interest at the rate of $7\frac{1}{2}$ per cent. per annum will be charged on all payments not made on the due date. In case no acceptance is made, the deposit will be returned without deduction. If a smaller amount be accepted than that applied for, the surplus of the deposit will be appropriated towards the amount payable on 13th June, 1928, and any balance will be returned to the applicant.

The price payable by Messrs. Lazard Brothers & Co., Limited, and The Whitehall Trust, Limited, to the Company for the Bonds is £84. 15s. 0d. per cent. They are paying an underwriting commission of $1\frac{1}{2}$ per cent. and overriding commission of $\frac{1}{4}$ per cent., and all other expenses of this offer, including advertising, brokerage, etc., with the exception of the printing of the Bonds, the issue and exchange of the Scrip Certificates and the British Government Stamp Duty.

A Brokerage of $\frac{1}{4}$ per cent. will be paid on acceptances in respect of applications other than underwriting applications and on conversion acceptances bearing the stamp of Stock-brokers or other approved Agents.

Application will be made to the Committee of the London Stock Exchange for permission to deal in the Bonds after acceptance, and in due course for an official quotation.

A print of the Trust Deed, a draft of the form of Bond and original Certificate of Messrs. Deloitte Plender, Griffiths & Co., and Messrs. Harold Bell, Taylor, Bird & Co., can be seen at the offices of Messrs. Linklaters & Paines, 2 Bond Court, Walbrook, E.C. 4, during the usual business hours while the list remains open.

Particulars and Forms of Application may be obtained from Messrs. Lazard Brothers & Co., Limited, 11, Old Broad Street, E.C. 2, and The Whitehall Trust, Limited, 10, Old Broad Street, E.C. 2.

London, 7th June, 1928.

No.....

TOKYO ELECTRIC LIGHT CO., LIMITED
(TOKYO DENTO KABUSHIKI KAISHA)
(Incorporated under the laws of Japan)

£4,500,000 6% First Mortgage Bonds
(Sterling Series)

Messrs. Lazard Brothers & Co., Limited,
11, Old Broad Street, E.C.

The Whitehall Trust, Limited,
10, Old Broad Street, E.C.

Gentlemen,

I/We beg to apply for £.....,

(say..... pounds)
nominal of the above Bonds on the terms of the Particulars dated 7th June, 1928. I/We enclose Cheque for £....., being the required deposit at the rate of £10 per cent., and I/we agree to purchase the amount of Bonds applied for, or any less amount for which my/our application may be accepted, and to pay the balance in due course.

Signature.....

Please write in Block Letters. { Surname.....
Christian Name(s)..... (State Mr., Mrs. or Miss)
Address (in full).....

Date.....

IMPORTANT:—Applications must be for even amounts of £100 nominal.

For use of Lazard Brothers & Co., Limited, only

Allot.	App. & Allot.	Deposit.	Retd.	Due.	Paid

Cheques to be made payable to "Bearer" and crossed.
If altered from "Order" to "Bearer" the alteration must be initialled.

\$70,000,000

TOKYO ELECTRIC LIGHT COMPANY, LIMITED

First Mortgage Gold Bonds, 6% Dollar Series due 1953

The Mitsui Bank, Limited, Tokyo, Trustee
Guaranty Trust Company of New York, Fiscal Agent

Simultaneous offerings are being made of £4,500,000 6% Sterling Series in England by Lazard Brothers & Co., Ltd., and The Whitehall Trust, Ltd., and ¥60,000,000 6% Yen Series in Japan by The Mitsui Bank, Limited, and The Yasuda Bank, Limited, the aggregate principal amount of all three series being equivalent, at parity of exchange, to \$121,809,250

Sinking Fund for the purchase and/or redemption
of Bonds of this series of \$1,120,000 per annum

The accompanying letter from Mr. Shohachi Wakao, President
of the Company, is summarized by him as follows:

Business and Territory

Tokyo Electric Light Company, Limited (Tokyo Dento Kabushiki Kaisha), established in 1886, is the largest electric power and light company in Japan and one of the largest in the world. Its position of leadership has been recently strengthened by a merger with Tokyo Electric Power Company, Limited, the only company conducting important competitive operations within the Company's territory. This consolidation not only makes possible important operating economies, but also gives the enlarged Company the benefit of additional managerial experience and financial support.

The Company serves an area of approximately 11,395 square miles extending practically across the principal island of the

Empire and including Tokyo, Yokohama, and other important industrial and commercial centres. This area has a rapidly growing population now in excess of 12,900,000.

Properties

The company owns 101 electric generating stations, with an aggregate installed capacity of 652,016 kw., of which approximately 75% is hydro-electric. In addition it is increasing the installed capacity of one of its steam generating stations by 25,000 kw. Other property in operation or under construction includes 236 sub-stations with 2,530,000 kva., installed transformer capacity, and approximately 19,000 routemiles of transmission and distribution lines.

The Company has contracts for the purchase of 275,240 kw., additional output, of which 202,320 kw., is from companies in which it has a stock interest.

Capitalization

To be outstanding with the public upon completion of present financing

First Mortgage Bonds:	
6% Dollar Series due 1953	\$70,000,000
6% Sterling Series due 1953	21,899,250
6% Yen Series due 1953	29,910,000
Debentures issued in Japan (unsecured, maturing 1930 to 1938)	66,425,125
Total Funded Debt	\$188,234,375
Paid-in Capital Stock	200,916,835
Total Capitalization	\$389,151,210

Of the foregoing capitalization, First Mortgage Bonds comprise 31%, unsecured debentures 17%, and paid-in capital stock 52%.

Purpose of Issue

The present financing provides for the payment of all existing bank loans and \$41,519,400 of funded debt and for additional capital expenditures.

Security

These Bonds will be secured, in the opinion of counsel, by a direct first mortgage lien on all fixed electric property now owned by the Company. In addition the Company covenants to subject to the direct lien of the mortgage securing the Bonds, all electric and artificial gas property hereafter acquired by it constituting an integral part of the then mortgaged property.

The depreciated replacement value of the Company's fixed property alone (exclusive of intangibles, working capital and investments), as estimated by Stone & Webster, Inc., is in excess of twice the total amount of First Mortgage Bonds presently to be outstanding.

Other than for refunding purposes, additional bonds may be issued (a) to the extent of the equivalent of \$15,453,500 without restriction as to additional property, and (b) for not more than 60% of future net property additions, provided, in the latter case, net earnings before depreciation are at least 2½ times interest charges on all prior liens (if any) and on all First Mortgage Bonds outstanding and proposed to be issued, all as defined in the Indenture.

Earnings

Including earnings of Tokyo Electric Power Company, Limited, for last three years and all as certified to by Messrs. Deloitte, Plender, Griffiths & Co., and Messrs. Harold Bell, Taylor, Bird & Co.

12 Months Ended Nov. 30	Gross Operating Earnings	Operating Expenses Maintenance, and Taxes	Total Income (Including Other Income) Available for Int-rest
1924	\$20,819,601	\$ 9,713,371	\$11,398,440
1925	27,532,627	14,290,129	13,757,315
1926	40,486,136	20,790,274	20,891,885
1927	45,344,701	24,157,861	22,657,051

Total income before depreciation for 12 months ended November 30, 1927, as shown above, amounted to over 3 times

annual interest charges of \$7,308,555 on the total amount of First Mortgage Bonds presently to be outstanding.

Dividends and Equity

The Company has paid dividends on its capital stock in each of the forty-two years since its establishment.

At present prices the indicated aggregate market value of the Company's unsecured debentures and capital stock is approximately \$250,000,000, or more than twice the amount of the First Mortgage Bonds.

Application will be made to list these Bonds on the New York Stock Exchange

Conversions from Japanese and British currency to American currency above have been made at rates outlined in the President's letter.

To be dated June 15, 1928. To mature June 15, 1953. Interest payable June 15 and December 15. Principal and interest payable at the principal office of Guaranty Trust Company of New York in gold coin of the United States of America of or equal to the standard of weight and fineness existing on June 15, 1928, or, at the option of the holder, in London at Lazard Brothers & Co., Ltd., in sterling at the rate of \$4.8665 per pound sterling, without deduction for any Japanese taxes, present or future, when held by others than residents of Japan. Coupon Bonds in the denomination of \$1,000.

Redeemable as a whole or in part, at the option of the Company, on any interest date upon 60 days notice, at 100% and accrued interest.

90½ and accrued interest, to yield about 6.80%

The Company's Three-Year 6% Gold Notes due August 1, 1928, will be accepted in payment for the above Bonds on a 4½% interest yield basis.

When, as and if issued and received by us and subject to the approval of counsel. All legal details will be passed upon for the Bankers by Messrs. Davis, Polk, Wardwell, Gardiner & Reed and Messrs. Sullivan and Cromwell, of New York, except as to matters of Japanese law which will be passed on by Doctor S. Kishi, of Tokyo; and for the Company by Messrs. Webb, Patterson & Hadley, of New York, and by Doctor G. Matsumoto and Mr. Shigetaka Hozumi, of Tokyo. It is expected that interim receipts of Guaranty Trust Company of New York will be ready for delivery on or about June 15, 1928.

Guaranty Company of New York

Dillon, Read & Co.; Lee, Higginson & Co.; Harris, Forbes & Co.; Blyth, Witter & Co.; Bonbright & Company, Incorporated; Bankers Trust Company, New York; The Union Trust Company of Pittsburgh; Mellon National Bank, Pittsburgh; The First National Corporation of Boston; Halsey, Stuart & Co., Incorporated; Hayden, Stone & Co.; Brown Brothers & Co.; J. & W. Seligman & Co.; International Acceptance Bank, Incorporated; H. M. Byllesby and Company, Incorporated; Stone & Webster and Blodget, Incorporated; Field, Gore & Co.; W. A. Harriman & Co., Incorporated; Edward B. Smith & Co.; W. C. Langley & Co.; E. H. Rollins & Sons; J. G. White & Co., Incorporated; Hemphill, Noyes & Co.; Illinois Merchants Trust Co.; Continental National Co.; First Trust & Savings Bank, Chicago; The Union Trust Co., Cleveland; Otis & Co.; **The Mitsui Bank, Ltd.**

The information contained in the above mentioned letter and summary, which has been received in part by cable, has been accepted by us as reliable, but does not constitute any representation on our part.
June, 1928

TOKYO ELECTRIC LIGHT CO., LIMITED

(TOKYO DENTO KABUSHIKI KAISHA)

Tokyo, Japan, May 30, 1928.

Guaranty Company of New York,
140 Broadway, New York City.

Gentlemen:

In connection with the \$70,000,000 First Mortgage Gold Bonds, 6% Dollar Series due 1953, presently to be issued by Tokyo Electric Light Company, Limited, I take pleasure in giving you this letter of information. In its conversions from Japanese to American currency have been made, in the case of earnings, at 41 cents per yen in 1924 and 1925, and 47 cents per yen in 1926 and 1927, which were approximately the

average rates of exchange prevailing in those years. In the case of replacement value of property, conversion has been made at 47 $\frac{3}{4}$ cents per yen, which was the rate prevailing on April 2, 1928, the date as of which the property valuation was made; and in the case of market values of securities, at 46 cents per yen, which is approximately the present rate. In all other cases conversions have been made at parity, 49.85 cents per yen. All conversions from British to American currency have been made at parity, \$1.8665 per pound sterling.

History and Business

Tokyo Electric Light Company, Limited (Tokyo Dento Kabushiki Kaisha), is the largest electric power and light company in Japan and one of the largest in the world. Its position of leadership has been recently strengthened by a merger with Tokyo Electric Power Company, Limited, the only company conducting important competitive operations within the Company's territory. The Company holds a position of national importance in modern industrialized Japan, the continued progress of which is largely dependent upon the electric power industry.

Tokyo Electric Light Company, Limited, was established in July, 1886, with an authorized capital of \$39,700, and originally supplied only the business section of Tokyo with electricity for lighting purposes. It now has paid-in capital stock, outstanding with the public, in the amount of \$200,916,835, and its operations, retail and wholesale are within an area of approximately 11,395 square miles extending practically across the principal island of the Empire. This area has a rapidly growing population now in excess of 12,900,000, or about one-fifth of the entire population of Japan proper.

Territory

The territory served includes Tokyo, the capital of the Empire; Yokohama, the second largest seaport; the great industrial districts in the Tokyo-Yokohama area and other

important industrial and commercial centres, and in addition, a large agricultural territory.

On November 30, 1927, the properties now owned by the Company served 2,141,545 electric customers, or approximately one for every six persons in the territory supplied at retail.

Most of the industrial enterprises in the territory use electrically driven machinery. The Company's revenue from the sale of electric energy for power and other large-scale uses is approximately as large as its revenue from lighting. The demand for its electric output is well diversified as the tabulation below indicates:

	Twelve Months Ended November 30, 1927	Percentage of Electric Revenue
Power:		
Public utility companies		7.5%
Imperial Government and municipalities		6.6
Textile mills		3.4
Paper mills		2.4
Engineering and machinery manufacturing ...		1.7
Iron and steel foundries		1.5
Chemical and fertilizer works		1.3
Shipbuilding and dockyards		1.2
Flour mills and foodstuffs		1.2
Office buildings		1.0
Miscellaneous power	18.9	46.7%
Lighting		53.3
Total		100.0%

Properties

The Company's fixed property, by reason of its wide geographical distribution particularly as to hydro-electric generating facilities, is favorably situated from the standpoint of the diversification of earthquake risk. This was demonstrated in the earthquake of September 1923, when the Company's properties, then less widely distributed than they are today, suffered damage to the extent of only about 10% of their book value.

The Company owns 101 electric generating stations, with an aggregate installed capacity of 652,016 kw., of which approximately 75% is hydro-electric. In addition it is increasing the installed capacity of one of its steam generating stations by 25,000 kw. Other property in operation or under construction includes 236 substations with 2,530,000 kva., installed transformer capacity, and approximately 19,000 route-miles of transmission and distribution lines, of which 729 miles are underground.

The Company has contracts for the purchase of 275,240 kw. additional output, of which 202,320 kw., is from companies in which it has a stock interest.

The Company also owns valuable undeveloped water-power sites with an estimated potential capacity in excess of 300,000 kw.

Some of the important generating stations of the Company are:

<u>Hydro-electric Plants</u>	<u>River</u>	<u>Effective Head</u>	<u>Installed Capacity</u>
Inawashiro No. 1.....	Nippashi	354 ft.	41,985 kw.
Inawashiro No. 2.....	"	299 "	30,000 "
Inawashiro No. 3.....	"	134 "	17,544 "
Inawashiro No. 4.....	"	208 "	27,285 "
Iwamuro.....	Tone	524 "	16,200 "
Kamikuya	"	383 "	17,982 "
Komatsu.....	"	375 "	15,360 "
Komahashi.....	Katsura	345 "	21,060 "
Shishidome	"	470 "	22,400 "
Yamura	"	374 "	19,200 "
Yatsuzawa.....	"	385 "	43,200 "
Hayakawa No. 1.....	Hayakawa	734 "	25,600 "
Ryushima	Sai	432 "	23,400 "
Tashiogawa No. 1.....	Tashiro	1,152 "	16,000 "
Tashiogawa No. 2.....	"	1,625 "	20,800 "
Yuzawa	Kiyotsu	991 "	14,000 "

<u>Steam Plants</u>	<u>Installed Capacity</u>
Tsurumi.....	70,000 kw.
Senju	50,000 "
Kanagawa	21,500 "

Of the generating equipment in the Company's electric stations, approximately 60% is of American manufacture.

Management

The directorate of the Company is composed of prominent and successful business men, most of whom are residents of the territory served. The consolidation with the Tokyo Electric Power Company, Limited, not only makes possible important operating economies, but also gives the Company the benefit of additional managerial experience and financial support.

Purpose of Issue

The present financing provides for the payment of all existing bank loans and \$41,519,400 of outstanding funded debt, including \$24,000,000 6% Notes due August 1, 1928, and for additional capital expenditures.

Capitalization

To be outstanding with the public upon completion of present financing

First Mortgage Bonds:	
6% Dollar Series due 1953.....	\$70,000,000
6% Sterling Series due 1953	21,899,250
6% Yen Series due 1953.....	29,910,000
Debentures issued in Japan (unsecured, maturing 1930 to 1938)	66,425,125
Total Funded Debt	\$188,234,375
Paid-in Capital Stock	200,916,835
Total Capitalization	\$389,151,210

Of the foregoing capitalization, First Mortgage Bonds comprise 31%, unsecured debentures 17%, and paid-in capital stock 52%.

Valuation

The depreciated replacement value of the Company's fixed properties alone (exclusive of intangibles, working capital and investments), as estimated by Stone & Webster, Inc., is in excess of twice the total amount of First Mortgage Bonds presently to be outstanding.

Water Rights and Franchises

All of the Company's water rights and franchises for the generation and sale of power extend beyond the maturity of these Bonds. All such rights in Japan are granted under the authority of the Imperial Government, which has general supervisory power over electric companies and reserves the inherent sovereign right to extend or revoke under certain conditions grants made to such companies.

Security

These Bonds, together with the sterling and yen series, will be secured, in the opinion of counsel, by a direct first mortgage lien on all fixed electric property now owned by the Company. In addition the Company covenants to subject to the direct lien of the mortgage securing the Bonds, all electric and artificial gas property hereafter acquired by it constituting an integral part of the then mortgaged property.

Water rights and franchises cannot be mortgaged under the laws of Japan, but the Company will deposit with the Trustee assignments in blank of all water rights and franchises now held or hereafter acquired by it, relating to the mortgaged property, and pursuant to law in case of enforcement of the mortgage these rights and franchises may be transferred with the mortgaged property.

The Imperial Japanese Government has been advised of

the mortgaging of these properties to secure these Bonds, and has given formal assurance that if the properties are purchased by the Imperial Government or by municipalities, the rights of the bondholders will be recognized.

Provisions of the Indenture

The Indenture under which these Bonds are to be issued will provide, among other things, that additional bonds, of other series having such interest rates, maturity dates and other provisions as may be established from time to time, may be issued

- (1) par for par to refund bonds of any series previously issued under the mortgage and not retired by sinking fund,
- (2) for a total principal amount equivalent to \$15,453,500 without restriction as to additional property,
- (3) for a principal amount which, together with any prior liens outstanding on property additions, shall not exceed 60% of future net property additions, and
- (4) par for par to refund prior liens on property previously made the basis for the issuance of bonds,

provided, with respect to all bonds proposed to be issued under (3) that net earnings of the mortgaged property before depreciation are at least $2\frac{1}{2}$ times interest charges on all prior liens (if any) and all First Mortgage Bonds outstanding and proposed to be issued, all as defined in the Indenture.

No property subject to prior liens shall be made the basis for the issuance of additional bonds if the total prior liens on all property theretofore or thereby made the basis for the issuance of bonds would exceed 15% of the amount of all bonds outstanding and applied for.

At intervals of four years beginning in 1932 the mortgaged property is to be inspected by an independent engineer appointed by a fiscal agent for an outstanding series of bonds as provided in the Indenture. If such engineer (or a board of

arbitration constituted as provided in the Indenture) reports that the property is not in satisfactory condition for economic operation and if within the succeeding two years another report is not filed by such engineer or another engineer appointed in the same manner or by a board of arbitration stating that the property has been fully restored to satisfactory condition for economic operation, the Company agrees that it will not thereafter pay any dividends on its common stock (except dividends payable in common stock) until such a report has been filed or until cash equal to the estimated cost of remedying the deficiencies has been deposited with the Trustee.

With the consent of the holders of 75% of the bonds outstanding under the Indenture (not including any bonds held by the Company), the Company may make changes in the Indenture, provided such changes do not in any way modify the terms of payment of principal and interest of any of the bonds issued under the Indenture, or provide for the creation of any lien ranking prior to or equal with the bonds issued under the Indenture and not permitted by the terms thereof.

Sinking Fund

The Company agrees that on February 15 of each year, beginning in 1929, it will pay to the Fiscal Agent of each of the series presently to be outstanding an amount in each equal to 1.6% of the total issued amount of such series, to be applied to the purchase and/or redemption of bonds of such series.

Earnings

Including the earnings of the former Tokyo Electric Power Company, Limited, for last three years, and all as certified to by Messrs. Deloitte, Plender, Griffiths & Co., and Messrs. Harold Bell, Taylor, Bird & Co.

12 Months Ended Nov. 30	Gross Operating Earnings	Operating Expenses, Maintenance, and Taxes	Total Income (including Other Income) Available for Interest
1924	\$20,819,601	\$ 9,713,371	\$11,398,440

1925	27,532,627	14,290,129	13,757,315
1926	40,486,136	20,790,274	20,891,885
1927	45,344,701	24,157,861	22,657,051

Total income before depreciation for the twelve months ended November 30, 1927, as shown above, amounted to more than 3 times annual interest charges of \$7,308,555 on the total amount of First Mortgage Bonds presently to be outstanding.

Dividends and Equity

The Company has paid dividends on its capital stock in each of the forty-two years since its establishment.

Stockholders of the Company number more than 58,000. At present prices the indicated aggregate market value of the Company's unsecured debentures and capital stock is approximately \$250,000,000, or more than twice the amount of the First Mortgage Bonds.

General

Tokyo Electric Light Company, Limited, has played an important part in the transition of Japan to its present position of industrial supremacy in the Far East. In a territory not rich in fuel resources, the Company has, by harnessing the water powers of the mountainous interior and transmitting their energy to large centres of population on the seaboard, made possible the establishment of large manufacturing and commercial enterprises. With adequate generating facilities, a widespread network of transmission lines, and many important sites for future hydro-electric development, it is strongly entrenched to serve the economic growth of this territory.

The Company will make application to list the Bonds of the 6% Dollar Series due 1953 on the New York Stock Exchange.

Very truly yours,

(Signed) SHOHACHI WAKAO,
President.

REPORT OF THE COMMITTEE OF EXPERTS ON REPARATIONS (*An Extract*)

1.—Appointment, Terms of Reference and Constitution.

The Committee was constituted with the following membership:—

Belgian Experts: M. Emile Francqui, M. Camille Gutt;
alternates: Baron Terlinden, M. H. Fabri.

French Experts: M. Emile Moreau, M. Jean Parmentier;
alternates: M. C. Moret, M. Edgar Allix.

German Experts: Dr. Hjalmar Schacht, Dr. A. Voegler;
alternates: Dr. C. Me chior, Mr. L. Kastl.

British Experts: Sir Josiah Stamp, G.B.E., Lord Revelstoke,
G.C.V.O.; *alternates:* Sir Charles Addis,
K.C.M.G., Sir Basil Blackett, K.C.B., K.C.S.I.

Italian Experts: Dr. Alberto Pirelli, M. Fulvio Suvich;
alternates: M. Giuseppe Bianchini, M. Bruno
Dolcetta.

Japanese Experts: Mr. Kengo Mori, Mr. Takashi Aoki;
alternates: Mr. Saburo Sonoda, Mr.
Yasumune Matsui.

American Experts: Mr. Owen D. Young, Mr. J. P. Morgan;
alternates: Mr. Thos. N. Perkins, Mr. T. W.
Lamont.

6.—Bank for International Settlements.

A—General Reasons for the Constitution of an Institution with Banking Functions.

A general plan for a complete and final settlement of the reparation problem, being primarily financial in character, involves the performance of certain banking functions at one or more points in the sequence between the initial payment

of the annuities and the final distribution of the funds. A banking institution designed to meet these requirements justifies and makes logical the liquidation of all political controls and provides instead machinery essentially commercial and financial in character, which carries with it all the support and, at the same time, all the responsibilities that economic engagements imp'y. The process of removing the reparation problem from the political to the financial sphere which was begun in the Dawes Plan, will thus be carried a step further.

In general terms, the institution will take over such functions of the existing agencies as it may be necessary to continue and will perform the whole work of external administration, such as the receipt and distribution of payments and the commercialisation of those parts of the annuities which are susceptible of being commercialised.

The operations of the institution will be assimilated to ordinary commercial and financial practice. Its organisation will be outside the field of political influences and its powers and facilities will be sufficiently broad to enable it to deal freely and promptly with the problems involved in the settlement of Germany's obligations. The institution will be equipped with machinery which will provide an elastic element between the payments to be made by Germany and their realisation. In consequence, the Creditors will have further assurance that the effects of economic changes on the flow of payments will be minimised, and Germany for her part will have the possibility of assistance during temporarily unfavourable conditions.

It is obviously desirable, in the interest of obtaining results with the greatest efficiency, not to limit unduly the functions of the institution. The character of the annuities, and the magnitude of the payments to be transferred over the exchanges, provide at once the opportunity and the need for supplementing with additional facilities the existing machinery for carrying on international settlements, and within limitations of the sound use of credit to contribute to the stability

of international finance and the growth of world trade. We consider that by judicious non-competitive financial development the Bank should prove a useful instrument for opening up new fields of commerce, of supply and of demand; and will thus help to solve Germany's special problem, without encroaching on the activities of existing institutions.

In designing the Plan for the Bank for International Settlements, which is given in outline in Annex I, we were therefore mindful of the fact that these new facilities should not supplant, but should augment and perfect existing arrangements for carrying through international settlements. The Bank will have (a) as its essential or obligatory functions those which are inherent in the receipt, management and distribution of the annuities; and (b) as its auxiliary or permissive functions those which evolve more indirectly from the character of the annuities. There is no hard and fast line between the two sets of functions, because the first lead naturally into second.

B.—*Organisation of the Bank.*

In view of the part which the Bank will have to pay in the general interest it is advisable to place the control of its management in the hands of the central banks, since these are the organisations responsible in each market for the convertibility of the national currencies and the control of credit.

At the time of the Bank's constitution the capital will be geographically distributed in such a way as to associate in the Bank's working and in its development all the countries interested in the reparation settlement and all the financial markets which may subscribe to the Bank's issues.

Provision is made for the utilisation of the net profits of the Bank, due allowance being made for the payment of cumulative dividends on the capital stock, to create suitable reserve funds. Provision is also made, in case Governments or central banks make long-term deposits with the Bank, whereby they shall share proportionately in the remainder of the profits, after the requirements on account of dividends

and the reserve funds have been covered.

Inasmuch as its international basis is an essential feature which distinguishes the institution from all others, it has no single fiscal allegiance and it is desirable that in its movements in the various national markets it should not be hampered or restricted by considerations of relative fiscal burdens. It is therefore recommended that the Governments of the countries concerned enter into a convention for the avoidance of double and triple taxation of the Bank along the following lines:—

(a) the funds and investments of the bank to be freed from national taxation at the point where they derive interest, income and profit,

(b) all individuals and corporations receiving profit, interest or income from the Bank to be fully liable thereon to such taxation as such individuals and corporations would attract if the profit interest or income were derived from any other source.

(1) *Capital.*—On the formation of the Bank its authorised capital will be in the equivalent of \$100,000,000. The entire amount will be issued but only 25 per cent. of each share shall be called up until the Board of Directors decides on a further call. The allocation of shares by countries is provided for in Section II of Annex I. The shares will carry no voting rights; but voting rights corresponding to the number of shares first issued in each country will be exercised by the central bank of that country in general meetings attended by representatives of those banks, taking the place of general meetings of shareholders.

(2) *Administration.*—The entire administrative control of the Bank will be vested in the Board of Directors. The functions of a Director of the Bank are incompatible with those involving national political responsibilities, and the statutes of the Bank will make the necessary provision in order to avoid such conflict of functions. All the Directors and candidates shall be ordinarily resident in Europe, or shall be in a position

to give regular attendance at meetings of the Board.

The Governor of the central bank of each of the seven countries to which members of the present Experts' Committee belong, or his nominee, will be entitled to be a Director of the Bank *ex officio*. Each of these Governors may also appoint one Director, being a national of his country and representative either of finance or of industry or commerce. During the period of the German annuities the Governor of the Bank of France and the President of the Reichsbank may each appoint, if they so desire, one additional Director of his own nationality, being a representative of industry or commerce. These fourteen (or, as the case may, sixteen) Directors will elect not more than nine additional Directors from lists furnished by, and which may include, the Governors of central banks in other participating countries.

If in the process of organising the Bank or in the performance of its functions after establishment, it is found that the central bank of any country or its Governor is unable to act officially or unofficially in exercising the functions, authorities or privileges accorded to central banks under the Plan, or refrains from doing so, alternative arrangements not inconsistent with the laws of that country will be made. These alternative arrangements are outlined in Section XII of Annex I.

(3) *Distribution of profits.*—The profits shall be divided in accordance with the provisions contained in Annex I.

C.—General observations on the Bank.

The foregoing outline of the functions and organisation of the Bank for International Settlements, together with the fuller presentation of the Bank Plan in Annex I largely speaks for itself. It remains, however, to point out certain advantages which the Bank offers as against the existing Reparation procedure, and which advantages accrue both to Germany and to the creditor countries, because the Bank in putting the payments on a business basis makes their receipts the more certain, and facilitates their movement. The new facilities

introduced by the Bank are in addition to the provisions given elsewhere in the Plan whereby Germany is entitled to declare a postponement of transfer. They are rather in the nature of forestalling circumstances which might of themselves lead to a transfer postponement. These measures of prevention are of two general sorts; first, the Bank may employ its power of giving credit to arrange temporary assistance in transferring the annuities; second, the Bank will be in a position, in agreement with the Reichsbank, to invest in Germany reichsmarks currently accruing to its account at the Reichsbank. This measure to the extent to which it may be utilised will return to the German economy a portion of the annuity, and through the Bank's credit mechanism provide the foreign exchange with which to pay the current allotments to the creditors on account of the annuity. The application of either or both of these measures is prompt and decisive, and they operate in advance of the time when difficulties present themselves rather than afterwards, and serve to ease any strain until such time as the discount rate and other corrective measures have had opportunity to exert themselves.

It is not to be assumed that these two measures should be reserved for emergency use. The use of the Bank's credit by central banks within moderate limits, and over short periods may in time become a normal function scarcely different in its exercise from the use of central bank credit by banks and bankers. All central banks, for ordinary exchange operations or for other purposes, would frequently find it advantageous to make use of the facility. The second measure, that of investing within Germany some portion of the annuity receipts, should also find its uses in normal times. Both measures are necessarily limited by the funds which the Bank will have at its disposal and by the requirement that it maintains its liquidity at all times.

These are instances of the Bank's utility to Germany. They also illustrate the flexibility which the Bank's facilities give to the handling of the disbursements to the creditors.

Further instances of joint benefit may be briefly indicated. The Bank will be able to give short-term and intermediate credit to purchasers of deliveries in kind, notably for the construction of public works on delivery-in-kind account. Intermediate credit operations need not be restricted, however, to any one country or to the purchase of any one country's goods. On the contrary, it would be desirable to broaden such operations in the interest of world trade to the extent that the Directors of the Bank approve. As a stabilising factor in the foreign exchanges its advantages are obvious; and if in due time the arrangements provided for an international settlement fund are put into effective operation, the Bank should go far to eliminate the costs and risks now incurred in the shipping and re-shipping of gold.

The Bank excludes from its procedure all political influences, and business principles and practice intervene to facilitate the settlement of Germany's obligations without in any way qualifying her independent and sole responsibility. The Office for Reparation Payments and its associated organisations in Berlin will be retired, and the Reparation Commission's relations with Germany will be terminated. Germany will assume the responsibility for raising and transferring the annuities, and the Bank takes over the work of their receipt and disbursement.

As already stated, the Bank is so designed as not to interfere with the functions performed by existing institutions, but it is to create for itself supplementary functions in a special field of its own. To this end every care should be exercised in the organisation and administration of the institution.

In the natural course of development, it is to be expected that the Bank will in time become an organisation, not simply, or even predominantly, concerned with the handling of reparations, but also with furnishing to the world of international commerce and finance important facilities hitherto lacking. Especially it is to be hoped that it will become an increasingly

close and valuable link in the co-operation of Central Banking institutions generally—a co-operation essential to the continuing stability of the world's credit structure.

7.—The Influence of the Form of the Annuity on the Amount.

We are proposing a series of total annuities which should be paid with the regularity of the coupons of ordinary marketable bonds. But it is well recognised that to the economy of every country there may possibly come at some time or other a year of stress and difficulty. To make the economic scope of such a period the determinant of the maximum capacity in the ordinary course would be to fix a sum quite unacceptable to the Creditors and an unreliable test of normal capacity to pay. It would be like fixing the standard of physical effort expected from a workman in his years of health and strength by what he is capable of doing in his occasional weeks of illness.

While our proposals have made full allowance for all normal and long run considerations, it is possible that over exceptional and short periods the natural adjustments we contemplate might be insufficient. We have accepted the argument of the German Experts that, in undertaking a responsibility of this character identical in its nature with the solemn covenants of a debtor on a commercial and financial basis, Germany is well advised to consider carefully what are the limits of the burden which are possible for her final acceptance. We have therefore fully respected their scruples as to the undertakings they are prepared unconditionally to sign and have introduced a feature which can act as a safety valve, in time of difficulty, viz.: a right of postponement on Germany's initiative of the transfer (and, to a less degree, of payment) of a portion of the annuity. The range between the two figures (the unconditional portion and the total annuity) is not to be taken as evidence of doubt as to Germany's capacity of transfer (or of payment); it represents rather the concession that has been

made to the nonourable determination of the German Experts not to make themselves unconditionally responsible for any obligation which they are not certain is within their power of performance in all circumstances. It is, however, to be emphasised that the total amount of the annuity proposed, while being far from covering the claims set forth by the Creditors, is one which they have every reason to believe can in fact be both paid and transferred by Germany. The fact that part of it is postponable obviates the danger of being above Germany's capacity to transfer in a period of difficulty, and it was the recognition of this principle which was one of the factors enabling the German Experts to accept this scheme as an alternative not inconsistent with their original ideas.

In recommending that the system of Deliveries in Kind should be continued for a limited period and in decreasing amounts, we recognised, as is pointed out in Section 8 (f) of this Report, the necessity for maintaining a transitional period so that all shock to existing economic conditions in Germany should be avoided. Germany's power to transfer is thus maintained unimpeded by the friction of sudden changes in trade conditions.

8.—ANNUITIES.

The Committee Recommends that—

(1) The Governments shall fix the exact date of termination of the Dawes Plan and the substitution therefore of the New Plan. In fixing such date, the Governments should bear in mind that this Committee's calculations were made on the basis that the Dawes Plan would cease on August 31, 1929, and the New Plan commence on September 1, 1929.

In case the Governments should fix a date later than September 1st, 1929, it is recommended that financial adjustments shall be made so that the basis of payments provided for under the New Plan shall nevertheless commence as of September 1, 1929, and the basis of payments provided for under the Dawes Plan should cease as of August 31, 1929.

(2) Payments under the Plan of the Dawes Committee should continue until the end of the present scheduled year, that is to say, August 31, 1929.

(3) The New Plan should go into effect September 1, 1929, with the value of the 37 annuities of 1988.8 million R.M. until March 31, 1966, the payments for the Dawes Loan to be added.

(4) Payments to be made under the Dawes Plan, during the five months period preceding September 1, 1929, after allowing for the Dawes Loan should be treated as payments necessary to cover the requirements of Creditor Nations during this transition period, including outpayments for the year ending 31st March, 1930.

Should there remain any surplus after meeting the foregoing requirements, the question of disposing of such surplus, as well as all matters and expenses in connection with the transition from the operation of the existing arrangements to the New Plan shall be settled and adjusted between the Governments.

(5) In order that the new annuities shall coincide with the German fiscal years, the schedule of payments to be made by Germany on and from September 1, 1929, will be as follows:—

		Million R.M.	
7 months	1st Sept., 1929-31st March, 1930	742.8	
36 German Fiscal years	1st April, 1930- "	1931	1,707.9
	" 1931- "	1932	1,685.0
	" 1932- "	1933	1,738.2
	" 1933- "	1934	1,804.3
	" 1934- "	1935	1,866.9
	" 1935- "	1936	1,892.9
	" 1936- "	1937	1,939.7
	" 1937- "	1938	1,977.0
	" 1938- "	1939	1,995.3
	" 1939- "	1940	2,042.8
	" 1940- "	1941	2,155.5
" 1941- "	1942	2,180.7	

		Million R.M.	
36 German Fiscal years— cont.	1st April, 1942-31st March, 1943		2,198.0
	" 1943-	" 1944	2,194.3
	" 1944-	" 1945	2,207.5
	" 1945-	" 1946	2,203.8
	" 1946-	" 1947	2,199.5
	" 1947-	" 1948	2,215.2
	" 1948-	" 1949	2,210.-
	" 1949-	" 1950	2,316.8
	" 1950-	" 1951	2,359.2
	" 1951-	" 1952	2,343.2
	" 1952-	" 1953	2,346.2
	" 1953-	" 1954	2,353.3
	" 1954-	" 1955	2,364.6
	" 1955-	" 1956	2,359.8
	" 1956-	" 1957	2,354.2
	" 1957-	" 1958	2,361.8
	" 1958-	" 1959	2,393.8
	" 1959-	" 1960	2,370.6
	" 1960-	" 1961	2,380.5
	" 1961-	" 1962	2,398.3
	" 1962-	" 1963	2,390.2
	" 1963-	" 1964	2,402.6
	" 1964-	" 1965	2,402.1
" 1965-	" 1966	2,428.8	

Thereafter there remains the following schedule of payments to be made by Germany, subject to the special provisions dealing with these years:

1966-67	...	1607.7
1967-68	...	1606.9
1968-69	...	1616.7
1969-70	...	1630.0
1970-71	...	1643.7
1971-72	...	1653.9
1972-73	...	1662.3
1973-74	...	1665.7

1974-75	...	1668.4
1975-76	...	1675.0
1976-77	...	1678.7
1977-78	...	1685.4
1978-79	...	1695.5
1979-80	...	1700.4
1980-81	...	1711.3
1981-82	...	1687.6
1982-83	...	1691.8
1983-84	...	1703.3
1984-85	...	1683.5
1985-86	...	925.1
1986-87	...	931.4
1987-88	...	897.8

Out of the above Annuities the following amounts shall be unconditional, i.e. payable without any right of postponement of any kind in foreign currencies by equal monthly instalments viz.: 660 million R.M. per annum, to include whatever amounts are required for the service of the German External Loan 1924.

The remainder of the Annuity shall be payable in foreign currencies by equal monthly instalments, but subject to the conditions as regards postponement of transfer and of payment set out in Annex IV of this Plan.

The German Government undertakes for the purpose of the present provisions, as well as for the general purposes of the Plan, that the reichsmark shall have and shall retain its convertibility into gold or devisen as contemplated in Section 31 of the present Reichsbank Law, and that for these purposes the reichsmark shall have and shall retain a mint parity of 1/2790 kilogram of fine gold as defined in the German Coinage Law of August 30, 1924.

For the purpose of para. 4 above the outpayments for the year ending 31 March, 1930, are as follows:—

	Equivalent in Millions of R.M.
France	338.1
Great Britain	366.6
Italy	107.8
Belgium... ..	23.4
Roumania	8.8
Serbia	5.9
Greece	5.3
Portugal	7.2
Total	863.1 million R.M.

Provision is made in Para. XI of Annex I whereby a percentage of the Special Reserve Fund accumulated in the Bank shall be placed at Germany's disposal, if required, towards meeting the last 22 annuities payable under the above scale.

In calculating the above annuities we have taken into account the expenditures devolving upon Germany during the period of the new Plan such as were covered by the Dawes Plan. However, we have not included the costs of Commissions and the current expenses of Occupation as they are to continue only until a date to be fixed by the Governments. The necessary arrangements for their payment should be made by the Governments, in connection with the adoption of the new Plan.

Apart from the foregoing, we recommend that, as from the date of the putting into force of this Plan, Germany's previous obligation shall be entirely replaced by the obligation laid down in this Plan, and that the payment in full of the proposed annuities in accordance with this Plan should be accepted by the Creditor Powers as a final discharge of all the liabilities of Germany, still remaining undischarged, referred to in Section XI of Part I of the Dawes Plan, as interpreted by the decisions already given by the Interpretation Tribunal set up under the London Agreement of the 30th August, 1924. That Tribunal should be retained in existence and any dispute that may arise between Germany on the one side and the

Creditor Governments or any one of them or the Bank on the other side, as to the extent of these liabilities or as to any other question of the interpretation or application of this Plan should be referred to it for final decision.

In the course of their proceedings the Experts of the principal Creditor Powers have also dealt with the question of the distribution of these Annuities among the Creditor Powers. Their recommendations, drawn up after careful examination of the existing distribution arrangements and of other relevant considerations laid before them and with due regard to the rights and equities of the other countries* having a share in the Dawes annuities, are set out in Annex VII which they consider an inseparable part of the present Report.

COMPOSITION OF THE ANNUITIES.

8 (a) Source and Securities.

The annuities are to be derived from two sources:—

1. The German Railway Company.
2. The Budget of the Reich.

The Committee, after a careful examination of the proposals put forward by the German Experts, were of the opinion that the annuities recommended by them should not be drawn wholly from the German Budget, but that one source of payment utilised by the Dawes Plan, viz., the Railway Company, should be maintained. We desire to make it clear, however, that the retention of a contribution from the Railway Company is recommended not only from the point of view of security but also as a suitable method of raising the necessary revenue.

We have also considered the position with regard to the assigned revenues, and having regard to the fact that these revenues are pledged as collateral security for the service of the German External Loan of 1924, we feel it is impossible to

* Greece, Portugal, Poland, Roumania, Serbia, Japan and the United States of America.

recommend their release thereof. Nevertheless we are of opinion that it would be suitable for the German Government to discuss with the Trustees for the Bondholders of that Loan the possibility of simplifying as far as possible the existing machinery, and that the creditor Governments for their part should accept a similar arrangement. The effective security of the creditor Governments should be substantially that indicated in Annex III (Section III.)

Apart from these special questions, the Committee desires to record its view that the basis of security for the payment of the annuities is the solemn undertaking of the German Government, to which no further guarantee can add anything whatsoever.

The Committee accordingly recommends that the creditor Governments should take steps to release all controls, special securities, pledges or charges which may remain in their hands other than those specifically referred to above, and should recognise that their acceptance of the solemn undertaking of the German Government replaces any securities, pledges, charges or controls as may now exist.

2. *The Contribution from the German Railway Company.*—Under the German Railway Law of 30th August, 1924, enacted in accordance with the Dawes Plan, the German Railway Company is subject to a mortgage for eleven milliard g.m., in favour of the Trustee for the German Railway Bonds, and has issued to him a bond for eleven milliard g.m. This bond bears interest at 5 per cent. per annum, and carries a cumulative sinking fund of 1 per cent. per annum, which first became operative on 1st September, 1927; interest and sinking fund being guaranteed by the Government of the Reich.

The Plan contemplates the abolition of the Railway Bonds, together with the attendant circumstances of foreign participation in the management of the Railway, and substitutes a contribution from the Railway Company, as set out in the following paragraphs:—

The Railway Company shall be under an obligation to pay for 37 years a direct tax, comprising if necessary the transport tax, to an annual amount of 660 million R.M. being equal to the annual amount of the non-postponable annuity. This tax shall be imposed by German legislation, and the receipts therefrom guaranteed by the German Government. The Railway Company shall deposit with the Bank for International Settlements a Certificate acknowledging its liability in respect of this obligation.

The amount payable shall be raised from the gross revenues of the Company, ranking after the expenditure on personnel, and on the same footing with expenditure on material and consumable stores. It shall enjoy priority over any other tax now levied on the Railway Company, or which may be levied in the future, and shall rank prior to any other charge, by way of mortgage or otherwise, on the Company. It shall be paid direct by the Railway Company to the account of the Bank for International Settlements at the Reichsbank in instalments as laid down in Part 8.

The foregoing conditions shall be incorporated in the law governing the Railway Company.

It shall be one of the duties of the Organisation Committee proposed in Annex V of this Report to make suitable provision whereby the private and independent character of the German Railway Company, including its autonomous administration in economic, financial and personnel matters shall continue for the period of the Plan without interference from the German Government.

3. *The Transport Tax.*—In addition to the 660 million gold marks now payable directly by the Railway Company, the Dawes Plan requires a contribution to the standard annuity of 290 million gold marks out of the actual yield of the transport tax. This tax is imposed by the German Government, and the German Railway Company collects it for the Government. The total yield of the transport tax, now considerably in excess of 290 million gold marks appears among the receipts of the

Budget of the Reich, and the contribution of 290 millions appears among its expenditures. Under this Plan the direct tax on the Railway Company comprises if necessary the transport tax which is otherwise relieved from any special charge on account of reparations.

4. *The charge on German Industries.*—Under the Industrial Charges Law enacted in accordance with the Dawes Plan, bonds aggregating five milliard gold marks have been issued in respect of the German industries by the Bank for German Industrial Debentures, to the Trustee for the German Industrial Debentures. These bonds bear interest at 5 per cent. per annum and carry a cumulative sinking fund of 1 per cent. per annum, which first became operative 1st September, 1927; principal, interest and sinking fund being guaranteed by the Government of the Reich. The present contribution to the annuity from the Industrial Debentures thus amounts to 300 million gold marks.

This particular charge in no way differs from ordinary taxation save in the complications it involves in legislation and the machinery of collection. We recommend that it be discontinued, and that its disappearance be taken into account in distributing the relief from taxation which this plan will enable the German Government to bring into effect.

5. *The charge on the Budget of the Reich.*—Under the Dawes Plan, the contribution from the Budget of the Reich in the fifth or current annuity year, amounts to 1,250 million gold marks, or one-half of the total standard annuity. This contribution is a charge on the Budget as a whole specifically secured by the assignment of the revenues from Customs, beer, tobacco, sugar and alcohol to the Commissioner of Controlled Revenues. These revenues are paid by the collecting Offices directly into the account of the Commissioner at the Reichsbank. As early as practicable in each month, out of the funds accumulated in his account, the Commissioner pays into the account of the Agent-General at the Reichsbank one-twelfth of the annual contribution from the budget and thereafter in

each month the revenues are automatically transferred by him to the account of the German Government at the Reichsbank. Under this plan the procedure to be followed will be worked out in detail, by the appropriate organisation committee proposed in Annex V, regard being had so far as necessary, to the arrangement which may be accepted by the Trustees of the 1924 loan.

As the amount contributed by the German Railway continues for 37 years at the fixed level of 650 million R.M. a year, the charge on the Budget of the Reich varies with the total amount of the annuity. In the second year it stands at the figure of 1,136,400,000 R.M.; and rises to a maximum of 1,768,800,000 R.M. in the 37th year. Thereafter the contribution from the Railway Company ceases, the annuity falls sharply and Budget contribution covers the whole of the German liability for the remainder of the Plan.

The average increase in the budgetary contribution during the first 20 years is about 24 million R.M. annually, or about .24 of 1 per cent. of the total revenues of the budget of the Reich, which at present are just under ten milliards. This moderate and gradual increase in the budgetary contribution under the definitive settlement plan ought to be met in ordinary years without recourse to additional taxation. Indeed, the substantial reduction of the budgetary contribution as compared with the Dawes Plan makes possible an immediate resumption of the tax reduction programme which has been in progress since 1924. The Committee hope that such further tax reductions, coupled with a definitive reparation settlement, will give a strong stimulus to saving and thereby materially assist in the internal formation of the new capital which Germany still requires.

8 (b) Progression.

The authors of the Dawes Plan believed that they could count upon a certain, substantial and progressive increase in the prosperity of Germany, arising not only from the employ-

ment of the rapidly increasing wealth of that country, but also from the steady progress of world prosperity, and this belief found expression in the device of an Index of Prosperity. The Plan contemplates that the amounts which Germany pays upon a fixed scale shall increase, generally speaking, year by year until 1966, reflecting in some small measure this anticipated increase in her prosperity. However, the annuities proposed are to start at a level which not only gives immediate and important relief to the German Budget, to her exchange position and to her need for additional internal formation of capital, as compared with the Standard Dawes Annuity of 2,500 million g.m., but also provides the greatest possible assurance that the new scheme will function from the beginning without any hitch or disturbance.

8 (c) The Non-Postponable Annuities.

Not the least difficult part of the task was the determination of the figure which Germany could immediately undertake as a final and unconditional obligation. The point at which difficulties might begin to arise in making transfers into foreign currencies is not exactly definable in advance; but every care has been taken to be so far within this limit as to remove every possibility of the risk of error. We recognise that in fixing the figure payable by Germany in foreign currencies, without any right of postponement whatever, at 660 million R.M., we have taken a conservative amount. But we are satisfied that it is wiser deliberately to underestimate than to run the slightest risk of weakening German Credit by proposing a figure which might not command instant acceptance by well-informed public opinion.

8 (d) The Postponable Annuities.

In addition to the unconditional part of the Annuity, we propose a postponable part, transfer of which may in certain circumstances, set out below, be postponed for a period not exceeding two years.

This postponable part of the annuity is designed to meet the situation which might arise in a period of special economic difficulty and distress. There will be other ways of meeting such a situation, and if they are applied our view is that recourse to this abnormal measure will not in fact prove to be necessary. Nevertheless, as an additional precaution, it is valuable to Germany, and provides, by its very existence, a safeguard against the dangers which too rigid a framework might have called into existence.

8 (e) Measures of Safeguard.

The essence of the additional margin of safety given to a part of the annuities lies in the power to postpone transfer. We are recommending, in order to protect Germany against the possible consequence of a comparatively short period of depression, which might, for external reasons, but such a severe strain on the exchanges as would make the process of transfer abroad dangerous, that the German Government should have the right, on giving 90 days' notice, to postpone transfers for a period not exceeding two years under conditions set out in Annex IV. During the period of postponement, the liability of the German Government with regard to the sums affected would in the first instance be limited to payment in Reichsmarks to the account at the Reichsbank of the Bank for International Settlements; under certain conditions, part of this payment may also be withheld.

Upon the declaration of any postponement the Bank for International Settlements shall convene the Special Advisory Committee. At any other time, when the German Government declare to the Creditor Governments and to the Bank for International Settlements that they have come to the conclusion in good faith that Germany's exchange and economic life may be seriously endangered by the transfer in part or in full of the postponable portion of the annuities, the Committee shall also be convened.

Upon being convened, the Special Advisory Committee

shall forthwith consider the circumstances and conditions which have led up to the necessity for postponement, or have created a situation in which Germany considers that her exchange and economic life may be seriously endangered by further transfers of the postponable portion of the annuity and make a full investigation of Germany's position in regard to her obligations under this Plan.

In their report to the Governments and to the Bank, having (in case of a postponement of transfer) satisfied themselves that the German authorities have used every effort in their power to fulfil their obligations, they shall indicate for consideration by the Governments and the Bank what in their opinion are the measures that should be taken in regard to the application of the present Plan.

It shall further be the duty of the Bank during a postponement of transfer to direct, in conjunction with the Reichsbank, the employment of the Reichsmarks paid to its account at the Reichsbank by the German Government. (See Section VI of Annex I to this Report.)

The following paragraphs sketch the organisation of the Special Advisory Committee of the Bank for International Settlements, referred to in the preceding paragraphs:—

1. The Committee shall act in a purely consultative capacity. Its findings shall have no effective force unless confirmed and accepted by the Bank as Trustee of the Creditors, and if necessary by the Governments concerned.
2. The Committee shall pay no part in connection with the unconditional annuity accepted by Germany and referred to in the Plan as the "unconditional annuity."
3. The Committee shall be convened by the Bank according to the rules of its own constitution when notice shall be received from the German Government. It shall not be required to meet at any other time.
4. The Committee shall consist of seven ordinary and four co-opted Members. The ordinary Members shall be

nominated one by each of the following:

The Governors of:—

The Reichsbank,
The Banque de France,
The Bank of England,
The Banque Nationale de Belgique,
The Banca d'Italia,
The Bank of Japan,

A Federal Reserve Bank of the United States or some other agreed American financial institution,

in the last two cases, such nominee being ordinarily resident in Europe or in a position to give prompt attendance on a meeting of the Committee being called. These nominees of the Governors of the Banks shall not be officially connected with the banking institutions in question nor with the Government departments of their respective countries. After being summoned they may, if they so desire, co-opt not more than four additional members with the intent that special aspects, whether in finance, exchange, industry, etc., of the particular situation in question shall be represented. During the course of the proceedings and until the report is made, the co-opted members shall be equal in all other respects to the ordinary members, but they shall thereafter be discharged from office.

5. The Committee may proceed by way of hearing evidence or asking for documents, as it may desire, but the President of the Reichsbank and/or any other person nominated by the German Government may appear before or submit to the Committee the reasons for which a postponement has been declared or measures are desirable as indicated above.

The Committee shall neither grant nor refuse a postponement. After making enquiry, it shall report to the Government and the Bank as indicated above.

6. Unless otherwise arranged by consent the expenses of the Special Advisory Committee shall be borne by the German Government.

8 (f) Deliveries in Kind.

The system of deliveries in kind under the Dawes Plan has come to play an important role in the economic life of Germany. We would not suggest the unlimited continuation of this system, which is open to many objections of a practical as well as a theoretical nature. We have felt, however, that its immediate cessation would not be in the interest of Germany or of the creditor Powers, and that it would impose difficulties upon the export trade of Germany which might be injurious to her capacity to transfer. We therefore recommend that the principles of the Dawes Plan, with reference to deliveries in kind, should continue in existence for a limited period, and that the Creditor Nations should agree for a period of 10 years to absorb by this means, in respect of each year, a limited and decreasing amount of the postponable portion of the annuity, substantially in accordance with the following table:—

	Millions.
1st year	750
2nd year	700
3rd year	650
4th year	600
5th year	550
6th year	500
7th year	450
8th year	400
9th year	350
10th year	300

The foregoing table to be adapted to the actual annuities of the new Plan without increasing the total.

The Creditor Powers by arrangements effected among themselves will fix the proportions in the total of each year's

volume of deliveries in kind (including deliveries under Reparation Recovery Acts or any equivalent system substituted therefor by agreement up to 23.05 per cent. for Great Britain and 4.95 per cent. for France of the total amount provided for each year) which each of them will receive.

The Bank for International Settlements shall manage the disbursements on deliveries in kind account, and in making distributions of cash to the Creditor countries shall have due regard for those portions of the annuity which are restricted to payments for deliveries in kind.

The Committee also recommends that new Regulations be adopted by the Governments modifying the Wallenberg Regulations to conform to the new Plan and, so far as practicable, simplifying and liberalising them.

The Committee recommends that provision be made in the new Regulations permitting the several Powers to dispose of some part of their respective quotas of deliveries outside of their own territories under suitable restrictions.

The proposed repartition of the deliveries in kind among the several Creditor Powers is contained in Annex VII dealing with Repartition of the Annuities.

9.—Liquidation of the Past.

In order to arrive as rapidly as possible at a general liquidation of the financial questions raised by the war and the subsequent Treaty of Peace, a liquidation which alone can ensure the definite return of Europe to normal financial and economic conditions, the Committee recommends the clearing up of these questions in a broad spirit of mutual concession.

We understand that a settlement on those lines will render obsolete the accounts between the Reparation Commission and Germany relating to transactions prior to the period of the Dawes Plan together with all accounts involving credits against the original capital debt. We are strongly of opinion that these accounts should be closed at the earliest moment.

The Creditor Governments under this Plan will be reducing the whole body of their claims arising out of the war or under the Treaty of Versailles to a considerable extent. The Experts of the Creditor countries are aware that past transactions have given or may give rise to claims by Germany, some of which are still unsettled, and while they are not able to go into the merits of these claims, they consider that the Creditor Governments are fully entitled to expect that Germany should waive them in consideration of the consolidation of the Creditors' claims at a reduced figure. Any other course would be inconsistent with their intention that, just as the new Annuities cover all the claims defined in Part XI of the Dawes Plan, so they should be paid free of deduction in respect of any past transactions. The Committee recognises however that this is entirely a matter for the Governments to deal with.

To assure the general confidence indispensable for the successful working of this plan the Committee recommends that the Governments make no further use, from the date of the acceptance of this report, of their right to seize, retain and liquidate property, rights and interests of German nationals or companies controlled by them in so far as not already liquid or liquidated or finally disposed of, and that the outstanding questions concerning such property should be definitely cleared up within one year after the coming into force of this plan by arrangements between the Governments concerned and Germany. This recommendation naturally has no application in cases where special settlements have already been made.

The acceptance of this Plan necessarily involves the dissolution of the joint liability of Germany on the one side with Austria Hungary and Bulgaria on the other side for reparation and therefore finally abolishes every obligation present or future in either direction which may result between these Powers from this joint liability.

The Committee recommends in particular that the Creditor Powers should abstain from recovering the credits of Germany

against her ex-allies referred to in Art. 261 of the Treaty of Versailles, Germany for her part renouncing any net balance which might be due to her as a result of these credits.

In their unanimous desire that the remaining financial questions arising out of the war should be settled as soon as possible, in order to promote the spirit of international harmony and collaboration, the Experts unanimously recommend to the Creditor Governments that within the first year of operation of the new Plan, they complete the work of the Experts' Committee by dealing with and disposing of the claims and debts for ceded properties and liberation bonds, held in the hands of the Reparation Commission against the so-called Succession States. This question is referred to in Annex VII.

10.—Commercialisation and Mobilisation.

Having recommended the creation of the Bank for International Settlements in order to provide machinery for the removal of the Reparation obligation from the political to the financial sphere, we have further considered what procedure is necessary in order to assimilate this obligation as closely as possible to an ordinary commercial obligation ("commercialisation.")

Further, certain Governments are known to attach particular importance to the possibility of raising money by the issue to the public of Bonds representing the capitalisation of the unconditional portion of the Annuity ("mobilisation.")

It is of course not within our power to advise as to the time at which such issues can be made with advantage or as to the terms and conditions on which issues should be made. The arrangements to be made would no doubt vary according as, for example, an issue is to be made for cash in the general interest of all the Creditor Governments, or an internal issue is to be made in one single country by way of conversion of Government Debt. It will be the province of the Bank itself to advise upon such matters; but we have thought it necessary

to advise a framework within which these operations may take place.

This framework is given in Annex III. It provides first that the Annuities themselves shall be represented by a German Government certificate of indebtedness deposited with the Bank, similar to those in use in ordinary commercial practice (a proper distinction being made in the coupons between the conditional and unconditional portions of the Annuity). The provisions regarding security are given in the Annex and the conditions in which mobilisable Bonds should be created and issued are defined.

One of the most important provisions of this scheme is that annuity moneys should be distributed by the Bank in strict proportion to the rights of each party—whether Government or bondholder.

As far as according to the conditions of the issue reparation loans (general or conversion loans) are subject to an anticipated redemption, Germany should be entitled to redeem these loans; the part of the annuity destined for the service of the redeemed loan will then accrue to her. The wish has been expressed that so far as possible reparation loans will not be issued without granting the debtor an appropriate right of anticipated redemption.

We recommend that Germany should also have the right to redeem all or any part of not yet mobilised annuities on a basis of $5\frac{1}{2}$ per cent. discount.

11.—The New Plan contrasted with the Dawes Plan.

The Dawes Plan, although drawn up at a time of intense crisis, has by a test lasting over nearly five years, justified by facts the postulates on which it was based as regards both the restoration of the public finances of Germany and her economic recovery.

It may be well to summarise briefly the points of advantage—whether to Germany or her Creditors—claimed for the

new proposal, which justify a departure from a scheme that has in the past rendered signal service.

The plan drawn up by the Committee to afford a definite solution of the Reparation question accompanies a reduction in the existing obligation of Germany by an essential modification in their financial and political status. In so far as the creditors are relinquishing substantial advantages in the face value of payments due under the Dawes Plan, they are doing so only by reason of those improvements in intrinsic and available values which arise from the practicability and certainty of commercialisation and mobilisation within a reasonable period and in its attendant financial and economic psychology.

Among the modifications, which are considered specially important are the following:—

(1) *Fixation of the period and the debt.*

The Dawes Plan imposes in virtue of the Index of Prosperity increasing annuities, of which the number are not fixed. The new programme indicates a definite number of fixed annuities.

(2) *Disappearance of the Index of Prosperity.*

Only estimates, which vary very widely, of the ultimate effect of the Index of Prosperity can at this date be made. But in no circumstances could Germany benefit therefrom, and the disappearance of this element of uncertainty is wholly to her benefit.

(3) *Attainment of financial autonomy.*

Under the Dawes Plan Germany can only obtain the discharge of her obligations in marks by the existence of a system of transfer protection which involves a measure of external control. This brings attendant limiting effects on German credit and financial independence which render difficult, if not impossible, any mobilisation of the German debt. The new plan would be abandoning the fundamental

purposes for which it was intended if it did not cancel this clause and leave to Germany the obligation of facing her engagements on her own untrammelled responsibility.

(4) *Postponement safeguards.*

Nevertheless, if an exceptional emergency interrupts the normal course of economic life to which the scheme is adapted, Germany can, on her own initiative, resort to certain measures of temporary relief.

The annuity is divided into two parts, of which one is subject to postponement of transfer and payment. Germany will thus be enabled under certain circumstances temporarily to relieve her balance of payments, and will in fact enjoy the advantages, of a form of transfer protection without its attendant limitations.

(5) *Deliveries.*

While the Dawes Plan reluctantly accepted the expedient of deliveries in kind, the new Plan, in spite of the desire of the creditor Powers to dispose freely of their shares of the annuities, recognises the undesirability of a sudden cessation of the system at present in force. The creditors are therefore to take deliveries in kind for ten years, but in decreasing amounts beginning with 750 millions.

(6) *Mobilisation.*

From the point of view of the creditor Powers an essential feature of the new Plan which induces them to agree to reduction on their claims that leave them burdened with a considerable part of their expenditure for the damages caused by the war, is the fact that the annuity is paid in a form lending itself to mobilisation.

(7) *Financial organisation.*

The organisation and machinery of the Dawes Plan were based on the conviction that it must find its proper

guarantee in the interest of all parties to carry it out in good faith. In aiming as it did at the transference of the Reparation payments from the political to the economic and business sphere, it presumed constant co-operation of debtor and creditors alike. The new system goes further along the same road, replacing the collaboration of separate administrative and governmental organisation by common work in a purely financial institution, in the management of which Germany is to have an appropriate part. The present administrative organisations cannot have all the elasticity necessary for banking transactions of the magnitude of the payment and transfer of the annuities; but the new Bank in close association with the banks of issue and with the banking facilities at its command will have all the necessary means of effecting these operations without disturbance to the German economy or to the economy of other countries. In addition it will be in a position to open up to trade new possibilities of development. The operations which it is to undertake cannot be disturbed or hampered without irreparable damage to the credit of the countries concerned. This assurance should make it possible to limit the guarantees established under the present system for the protection of the rights of the creditors, to the minimum required for the prompt and facile commercialisation of the mobilisable part of the annuity.

(8) *Summary.*

The proposed plan continues and completes the work begun by the Dawes Plan, which the position alike of Germany and of the other countries made it impossible to do more than indicate in outline in 1924. By the final reduction and fixation of the German debt, by the establishment of a progressive scale of annuities, and by the facilities which the new Bank offers for lessening disturbance in the payment of the annuities, it sets the seal on

the inclusion of the German debt in the list of international settlements. If it involves appreciable reduction in payments to the creditor countries on what might have been anticipated under the continued operation of the Dawes Plan, it at the same time eliminates the uncertainties which were inherent in that Plan and were equally inimical to the interest of the debtor and to the creditors, by substituting a definite settlement under which the debtor knows the exact extent of his obligations.

12.—Conclusions.

It has been our object to make proposals for financial obligations, which, with the conditions and safeguards that accompany them, shall be within Germany's capacity to pay, and we believe that we have achieved this purpose. We realise the responsibility of this declaration, and we recognise how much depends on the future attitude towards one another of the peoples which, by ratification of their respective governments, are to become parties to this agreement. For the solution of the Reparation problem is not only a German task but in the common interest of all the countries concerned; and it requires the co-operation of all parties. If their attitude should be tinged with antagonism, even with suspicion, or a desire to create or continue one-sided economic discriminations, a settlement perfectly feasible with goodwill would sooner or later encounter difficulties, so that the long, slow, patient task of reconstruction in Europe, would be definitely retarded. For without good faith and mutual confidence all agreements, all guarantees are unavailing. If, on the other hand, our proposals are adopted with goodwill by all concerned, and the rest of the world has confidence in the constructive value of this mutual accord, then indeed there can be no reasonable doubt that the agreement will be capable of complete fulfilment, and the nations it concerns will be brought to a higher level of economic stability and of mutual understanding than ever before.

Finally, we would point out, like our predecessors on the Dawes Committee that—

“We regard our report as an indivisible whole. It is not possible, in our opinion, to achieve any success by selecting certain of our recommendations for adoption and rejecting the others, and we would desire to accept no responsibility for the results of such a procedure nor for undue delay in giving execution to our Plan.”

Paris, June 7th, 1929.

1929	1930	1931	1932	1933	1934	1935	1936	1937	1938	1939	1940	1941	1942	1943	1944	1945	1946	1947	1948	1949	1950	1951	1952	1953	1954	1955	1956	1957	1958	1959	1960	1961	1962	1963	1964	1965	1966	1967	1968	1969	1970	1971	1972	1973	1974	1975	1976	1977	1978	1979	1980	1981	1982	1983	1984	1985	1986	1987	1988	1989	1990	1991	1992	1993	1994	1995	1996	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025	2026	2027	2028	2029	2030	2031	2032	2033	2034	2035	2036	2037	2038	2039	2040	2041	2042	2043	2044	2045	2046	2047	2048	2049	2050	2051	2052	2053	2054	2055	2056	2057	2058	2059	2060	2061	2062	2063	2064	2065	2066	2067	2068	2069	2070	2071	2072	2073	2074	2075	2076	2077	2078	2079	2080	2081	2082	2083	2084	2085	2086	2087	2088	2089	2090	2091	2092	2093	2094	2095	2096	2097	2098	2099	2100
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ANNEX

ANNEX—DISTRIBUTION OF THE ANNUITIES PROPOSED BY
ON THE

We recommend that the Annuities set out in Part 8 of this Report

(Millions

German Finan- cial Year.	France.	British Empire.	Italy.	Belgium.	Roumania.
1929-30(*) ...	418.8	53.1	42.5	70.7	—
1930-31 ...	900.7	366.8	156.0	98.2	10.0
1931-32 ...	838.4	362.0	190.8	102.6	12.0
1932-33 ...	879.8	364.5	196.3	105.9	13.0
1933-34 ...	879.1	454.8	192.4	100.3	13.9
1934-35 ...	941.8	450.1	193.6	102.8	14.7
1935-36 ...	962.8	444.9	195.2	110.0	16.1
1936-37 ...	1004.1	438.1	197.2	116.9	17.2
1937-38 ...	1031.8	452.6	198.6	114.7	18.3
1938-39 ...	1052.4	447.1	200.2	114.8	19.1
1939-40 ...	1087.3	442.5	204.1	117.0	23.7
1940-41 ...	1179.9	457.1	211.5	117.1	20.1
1941-42 ...	1171.2	456.3	223.1	123.9	20.0
1942-43 ...	1191.4	446.0	225.5	124.1	20.6
1943-44 ...	1190.8	439.8	227.8	124.2	21.1
1944-45 ...	1190.7	450.5	230.5	123.9	21.1
1945-46 ...	1190.8	439.1	233.3	124.0	25.7
1946-47 ...	1188.1	432.4	235.6	124.1	28.4
1947-48 ...	1185.2	446.6	237.1	124.1	31.2
1948-49 ...	1185.1	439.1	239.4	124.2	31.2
1949-50 ...	1248.6	439.6	248.1	134.6	31.1
1950-51 ...	1277.9	440.5	260.1	134.7	31.1
1951-52 ...	1248.5	441.1	272.8	134.7	31.1
1952-53 ...	1248.3	441.4	275.6	134.7	31.1
1953-54 ...	1248.2	445.6	278.5	134.7	31.1
1954-55 ...	1248.1	453.6	281.3	134.7	31.1
1955-56 ...	1248.2	444.2	285.4	134.7	31.1
1956-57 ...	1248.1	434.7	289.0	134.9	31.1
1957-58 ...	1278.6	407.3	292.6	134.9	31.1
1958-59 ...	1302.8	410.2	296.7	134.8	31.1
1959-60 ...	1278.4	408.3	299.8	134.8	31.1
1960-61 ...	1278.2	406.1	310.8	134.7	31.1
1961-62 ...	1278.2	412.0	321.5	134.5	31.1
1962-63 ...	1278.1	400.5	324.8	134.8	31.1
1963-64 ...	1278.0	410.1	327.8	134.6	31.1
1964-65 ...	1277.9	406.3	331.0	134.9	31.1
1965-66 ...	1297.5	410.6	334.0	134.5	31.1
Average 1929-65	1046.5	409.0	213.7	115.5	20.1

* The year 1929-30 comprises only the 7 months September, 1929 to March, 1930.

VII.

THE EXPERTS OF THE CREDITOR COUNTRIES REPRESENTED
COMMITTEE.

should be distributed among the Creditor Powers as follows:—
of R.M.)

Serbia.	Greece.	Portugal	Japan.	Poland.	U.S.A.	Total.
72.1	—	6.0	13.2	0.5	65.9	742.8
79.4	3.6	13.2	13.2	0.5	66.3	1707.9
79.3	6.7	13.2	13.2	0.5	66.1	1685.0
79.4	6.9	13.2	13.2	0.5	66.1	1738.2
72.4	7.2	12.6	11.9	0.4	59.4	1804.3
72.5	7.2	12.6	11.9	0.4	59.4	1866.9
72.6	7.2	12.6	11.9	0.4	59.4	1892.9
73.8	8.2	12.6	11.9	0.4	59.4	1939.7
71.5	8.3	12.4	11.4	0.4	57.2	1977.0
71.8	8.5	12.4	11.4	0.4	57.2	1995.3
74.5	8.4	13.6	11.9	0.4	59.4	2042.8
76.1	8.4	13.6	11.9	0.4	59.4	2155.5
83.9	8.3	14.2	13.2	0.5	66.1	2180.7
88.2	8.3	14.2	13.2	0.5	66.1	2198.0
88.3	8.3	14.2	13.2	0.5	66.1	2194.3
88.5	8.3	14.2	13.2	0.5	66.1	2207.5
88.7	8.3	14.2	13.2	0.5	66.1	2203.8
88.7	8.3	14.2	13.2	0.5	66.1	2199.5
88.8	8.3	14.2	13.2	0.5	66.1	2215.2
88.8	8.3	14.2	13.2	0.5	66.1	2210.0
99.8	8.1	15.1	15.2	0.6	76.1	2316.8
99.9	8.1	15.1	15.2	0.6	76.1	2359.2
100.0	8.1	15.1	15.2	0.6	76.1	2343.2
100.0	8.1	15.1	15.2	0.6	76.1	2346.2
100.1	8.1	15.1	15.2	0.6	76.1	2353.3
100.7	8.1	15.1	15.2	0.6	76.1	2364.6
101.2	8.1	15.1	15.2	0.6	76.1	2359.8
101.2	8.1	15.1	15.2	0.6	76.1	2354.2
102.2	8.1	15.1	15.2	0.6	76.1	2361.8
103.1	8.1	15.1	15.2	0.6	76.1	2393.8
103.2	8.1	15.1	15.2	0.6	76.1	2370.6
104.5	8.1	15.1	15.2	0.6	76.1	2380.5
105.9	8.1	15.1	15.2	0.6	76.1	2398.3
105.9	8.1	15.1	15.2	0.6	76.1	2390.2
106.0	8.1	15.1	15.2	0.6	76.1	2402.6
106.0	8.1	15.1	15.2	0.6	76.1	2402.1
106.0	8.1	15.1	15.2	0.6	76.1	2428.8
84.0	7.0	13.2	13.1	0.5	66.1	1988.8

ANNEX—continued.

German Financial Year.	France.	British Empire.	Italy.	Belgium.	Roumania.
1966-67	794.2	357.2	290.1	53.1	31.7
1967-68	794.1	346.7	295.1	52.8	36.8
1968-69	790.9	349.4	302.3	53.0	39.8
1969-70	767.7	355.7	309.3	53.1	42.9
1970-71	787.5	361.2	317.6	53.2	42.9
1971-72	787.3	361.8	327.7	52.8	42.9
1972-73	787.1	366.1	332.0	52.8	42.9
1973-74	786.9	365.4	336.3	52.8	42.9
1974-75	786.8	364.1	340.5	52.8	42.9
1975-76	786.6	366.4	344.6	53.2	42.9
1976-77	786.3	363.8	350.8	53.5	42.9
1977-78	786.1	364.8	356.2	53.3	42.9
1978-79	785.9	365.1	367.1	53.2	42.9
1979-80	785.7	364.7	372.9	52.9	42.9
1980-81	785.5	363.5	385.1	53.1	42.9
1981-82	785.2	365.7	400.1	53.3	42.9
1982-83	785.0	362.9	407.2	53.4	42.9
1983-84	784.7	372.0	409.8	53.4	42.9
1984-85	784.4	346.2	416.5	53.0	42.9
1985-86	784.1	-414.1†	418.8	53.0	42.9
1986-87	783.9	-414.1†	425.0	53.3	42.9
1987-88	783.3	-372.1†	382.6	50.6	42.9

† These sums correspond to the excess war debt receipts of Great Britain over war debt payments during these three years.

Serbia.	Greece.	Portugal.	Japan.	Poland.	U.S.A.	Total.
22.7	9.7	8.2	—	—	40.8	1607.7
22.7	9.7	8.2	—	—	40.8	1606.9
22.7	9.7	8.2	—	—	40.8	1616.7
22.7	9.7	8.2	—	—	40.8	1630.0
22.7	9.7	8.2	—	—	40.8	1643.7
22.7	9.7	8.2	—	—	40.8	1653.9
22.7	9.7	8.2	—	—	40.8	1662.3
22.6	9.7	8.2	—	—	40.8	1665.7
22.6	9.7	8.2	—	—	40.8	1668.4
22.6	9.7	8.2	—	—	40.8	1675.0
22.6	9.7	8.2	—	—	40.8	1678.7
22.6	9.7	8.2	—	—	40.8	1685.4
22.6	9.7	8.2	—	—	40.8	1695.5
22.6	9.7	8.2	—	—	40.8	1700.4
22.6	9.7	8.2	—	—	40.8	1711.3
22.6	9.7	8.2	—	—	—	1687.6
22.6	9.7	8.2	—	—	—	1691.8
22.6	9.7	8.2	—	—	—	1703.3
22.6	9.7	8.2	—	—	—	1683.5
22.6	9.7	8.2	—	—	—	925.1
22.6	9.7	8.2	—	—	—	931.4
22.6	9.7	8.2	—	—	—	897.8

STATUTES OF THE BANK FOR INTERNATIONAL SETTLEMENTS

Chapter I.—*Name, Seat and Objects.*

Article 1.

There is constituted under the name of the Bank for International Settlements (hereinafter referred to as the Bank) a Company limited by shares.

Article 2.

The registered office of the Bank shall be situated at Basle, Switzerland.

Article 3.

The objects of the Bank are: to promote the co-operation of central banks and to provide additional facilities for international financial operations; and to act as trustee or agent in regard to international financial settlements entrusted to it under agreements with the parties concerned.

Article 4.

As long as the New Plan as defined in the Hague Agreement of January, 1930 (hereinafter referred to as the Plan), is in force, the Bank—

- (1) shall carry out the functions assigned to it in the Plan;
- (2) shall conduct its affairs with a view to facilitating the execution of the Plan; and
- (3) shall observe the provisions of the Plan in the administration and operations of the Bank; all within the limits of the powers granted by these Statutes.

During the said period the Bank, as trustee or agent for the Governments concerned, shall receive, administer and distribute the annuities paid by Germany under the Plan; shall supervise and assist in the commercialisation and mobilisation of certain portions of the aforesaid annuities; and shall perform such services in connection with the payment of German Reparations and the international settlements connected therewith as may be agreed upon by the Bank with the Governments concerned.

Chapter II.—*Capital.*

Article 5.

The authorised capital of the Bank shall be 500,000,000 Swiss gold francs, equivalent to 145,161,290.32 gr. fine gold.

It shall be divided into 200,000 shares of equal gold nominal value.

The nominal value of each share shall also be expressed on the face of each share in terms both of Swiss francs and of the currency of the country in which it is issued, converted at the gold mint parity.

Article 6.

The subscription of the total authorised capital having been guaranteed in equal parts by the Banque Nationale de Belgique, the Bank of England, the Banque de France, the Reichsbank, the Banca d'Italia, Messrs. X acting in place of the Bank of Japan and Messrs. Y, New York, the Bank may begin business as soon as a minimum of 112,000 shares has been subscribed.

Article 7.

(1) During the two years following incorporation the Board of Directors of the Bank (hereinafter referred to as the Board), shall arrange for the subscription of any unissued portion of the authorised capital.

(2) This unissued portion may be offered to the central

bank or other banks of countries which have not participated in the original subscription. The selection of countries in which such shares shall be offered for subscription and the amount to be subscribed in each shall be determined by the Board by a two-thirds majority, provided that offers of shares shall only be made in countries interested in Reparations or in countries whose currencies, in the opinion of the Board, satisfy the practical requirements of the gold or gold exchange standard and that the amount issued in any one of these countries shall not exceed 8,000 shares.

(3) The seven banking institutions mentioned in Article 6 shall, in accordance with their several guarantees, subscribe or arrange for the subscription in equal proportions of any part of the authorised capital which at the end of two years remains unsubscribed.

Article 8.

(1) Twenty-five per cent. only of the value of each share shall be paid up at the time of subscription. The balance may be called up at a later date or dates at the discretion of the Board. Three month's notice shall be given of any such calls.

(2) If a shareholder fails to pay any call on a share on the day appointed for payment thereof the Board may, after giving reasonable notice to such shareholder, forfeit the share in respect of which the call remains unpaid. A forfeited share may be sold on such terms and in such manner as the Board may think fit; and the Board may execute a transfer in favour of the person or corporation to whom the share is sold. The proceeds of sale may be received by the Bank, which will pay to the defaulting shareholder any part of the net proceeds over and above the amount of the call due and unpaid.

Article 9.

(1) The capital of the Bank may be increased or reduced

on the proposal of the Board acting by a two-thirds majority and adopted by a two-thirds majority of the General meeting.

(2) In the event of an increase in the authorised capital of the Bank and of a further issue of shares the distribution among countries shall be decided by a two-thirds majority of the Board. The central banks of Belgium, England, France, Germany, Italy, Japan and the United States of America, or some other financial institution of the last-named country acceptable to the foregoing central banks, shall be entitled to subscribe or arrange for the subscription in equal proportions of at least 55 per cent. of such additional shares.

(3) No part of the amount not taken by the banks of these seven countries shall be subscribed in any other country unless it is interested in Reparations or at the time of issue its currency, in the opinion of the Board, satisfies the practical requirements of the gold or gold exchange standard.

Article 10.

In extending invitations to subscribe for capital in accordance with Article 7, paragraph 2, or with Article 9, consideration shall be given by the Board to the desirability of associating with the Bank the largest possible number of central banks.

Article 11.

No shares shall be issued below par.

Article 12.

The liability of shareholders is limited to the nominal value of their shares.

Article 13.

The shares shall be registered and transferable in the books of the Bank.

The Bank shall be entitled without assigning any reason to decline to accept any person or corporation as the transferee of a share. It shall not transfer shares without the prior

consent of the central bank, or the institution acting lie of a central bank, by or through whom the shares in question were issued.

Article 14.

The shares shall carry equal rights to participate in the profits of the Bank and in any distribution of assets under Articles 53, 54 and 55 of the Statutes.

Article 15.

The ownership of shares of the Bank carries no right of voting or representation at the General Meeting. The right of representation and of voting, in proportion to the number of shares subscribed in each country, may be exercised by the central bank of that country or by its nominee. Should the central bank of any country not desire to exercise these rights they may be exercised by a financial institution of widely recognised standing and of the same nationality, appointed by the Board, and not objected to by the central bank of the country in question. In cases where there is no central bank, these rights may be exercised, if the Board thinks fit, by an appropriate financial institution of the country in question appointed by the Board.

Article 16.

Any subscribing institution or banking group may issue, or cause to be issued to the public the shares for which it has subscribed.

Article 17.

Any subscribed institution or banking group may issue to the public certificates against shares of the Bank owned by it. The form, details and terms of issue of such certificates shall be determined by the bank issuing them, in agreement with the Board.

Article 18.

The receipt or ownership of shares of the Bank or of certificates issued in accordance with Article 17 implies acceptance of the Statutes of the Bank and a statement to that effect shall be embodied in the text of such shares and certificates.

Article 19.

The registration of the name of a holder of shares in the books of the Bank establishes the title to ownership of the shares so registered.

Chapter III—Powers of the Bank.

Article 20.

The operations of the Bank shall be in conformity with the monetary policy of the central banks of the countries concerned.

Before any financial operation is carried out by or on behalf of the Bank on a given market or in a given currency the Board shall afford to the central bank or central banks directly concerned an opportunity to dissent. In the event of disapproval being expressed within such reasonable time as the Board shall specify, the proposed operation shall not take place. A central bank may make its concurrence subject to conditions and may limit its assent to a specific operation, or enter into a general arrangement permitting the Bank to carry on its operations within such limits as to time, character and amount as may be specified. This article shall not be read as requiring the assent of any central bank to the withdrawal from its market of funds to the introduction of which no objection had been raised by it, in the absence of stipulations to the contrary by the Central Bank concerned at the time the original operation was carried out.

Any Governor of a central bank, or his alternate or any other Director specially authorised by the central bank of the

country of which he is a national to act on its behalf in this matter, shall, if he is present at the meeting of the Board and does not vote against any such proposed operation, be deemed to have given the valid assent of the central bank in question.

If the representative of the central bank in question is absent or if a central bank is not directly represented on the Board, steps shall be taken to afford the central bank or banks concerned an opportunity to express dissent.

Article 21.

The operations of the Bank for its own account shall only be carried out in currencies which in the opinion of the Board satisfy the practical requirements of the gold or gold exchange standard.

Article 22.

The Board shall determine the nature of the operations to be undertaken by the Bank. The Bank may in particular;

- (a) buy and sell gold coin or bullion for its own account or for the account of central banks;
- (b) hold gold for its own account under earmark in central banks;
- (c) accept the custody of gold for the account of central banks;
- (d) make advances to or borrow from central banks against gold, bills of exchange and other short-term obligations of prime liquidity or other approved securities;
- (e) discount, rediscount, purchase or sell with or without its endorsement bills of exchange, cheques and other short-term obligations of prime liquidity, including Treasury Bills and other such Government short-term securities as are currently marketable;
- (f) buy and sell exchange for its own account or for the account of central banks:

(g) buy and sell negotiable securities other than shares for its own account or for the account of central banks:

(h) discount for central banks bills taken from their portfolio and rediscount with central banks bills taken from its own portfolio;

(i) open and maintain current or deposit accounts with central banks:

(j) accept:

(i) deposits from central banks on current or deposit account;

(ii) deposits in connection with trustee agreements that may be made between the Bank and Governments in connection with international settlements:

(iii) such other deposits as in the opinion of the Board come within the scope of the Bank's functions.

The Bank may also:

(k) act as agent or correspondent of any central bank;

(l) arrange with any central bank for the latter to act as its agent or correspondent. If a central bank is unable or unwilling to act in this capacity, the Bank may make other arrangements, provided that the central bank concerned does not object. If in such circumstances it should be deemed advisable that the Bank should establish its own agency, the sanction of a two-thirds majority of the Board will be required;

(m) enter into agreements to act as trustee or agent in connection with international settlements, provided that such agreements shall not encroach on the obligations of the Bank towards third parties; and carry out the various operations laid down therein.

Article 23.

Any of the operations which the Bank is authorised to carry out with central banks under the preceding Article may be carried out with banks, bankers, corporations or individuals of any country provided that the central bank of that country does not object.

Article 24.

The bank may enter into special agreements with central banks to facilitate the settlement of international transactions between them.

For this purpose it may arrange with central banks to have gold earmarked for their account and transferable on their order, to open accounts through which central banks can transfer their assets from one currency to another and to take such other measures as the Board may think advisable within the limits of the powers granted by these Statutes. The principles and rules governing such accounts shall be fixed by the Board.

Article 25.

The Bank may not:

- (a) issue notes payable at sight to bearer;
- (b) "accept" bills of exchange;
- (c) make advances to Governments;
- (d) open current accounts in the name of Governments;
- (e) acquire a predominant interest in any business concern;
- (f) except so far as is necessary for the conduct of its own business, remain the owner of real property for any longer period than is required in order to realise to proper advantage such real property as may come into the possession of the Bank in satisfaction of claims due to it.

Article 26.

The Bank shall be administered with particular regard to

maintaining its liquidity, and for this purpose shall retain assets appropriate to the maturity and character of its liabilities. Its short-term liquid assets may include bank notes, cheques payable at sight drawn on first class banks, claims in course of collection, deposits at sight or at short notice in first class banks, and prime bills of exchange of not more than ninety days' usance, of a kind usually accepted for rediscount by central banks.

The proportion of the Bank's assets held in any given currency shall be determined by the Board with due regard to the liabilities of the Bank.

Chapter IV.—Management.

Article 27.

The administration of the Bank shall be vested in the Board.

Article 28.

The Board shall be composed as follows:

- (1) The Governors for the time being of the central banks of Belgium, France, Germany, Great Britain, Italy, Japan and the United States of America (hereinafter referred to as *ex officio* Directors); or if any of the said Governors are unwilling or unable to hold office, their respective nominees (hereinafter referred to as substitute nominees).

The tenure of office of a substitute nominee shall be within the discretion of the Governor by whom he is appointed, but shall terminate in any case when that Governor vacates office.

Any *ex officio* Director may appoint one person as his alternate who shall be entitled to attend and exercise the powers of a Director at meetings of the Board if the Governor himself is unable to be present.

- (2) Seven persons representative of finance, industry or

commerce, appointed one each by the Governors of the central banks mentioned in sub-clause (1), and being of the same nationality as the Governor who appoints him.

During the continuance of the liability of Germany to pay Reparation annuities, two persons of French and German nationality respectively, representative of industry or commerce, appointed by the Governors of the Bank of France and of the Reichsbank respectively, if they so desire.

If for any reason the Governor of any of the seven institutions above mentioned is unable or unwilling to serve as Director, or to appoint a substitute nominee under sub-clause (1), or to make an appointment under sub-clause (2), the Governors of the other institutions referred to or a majority of them may invite to become members of the Board two nationals of the country of the Governor in question, not objected to by the central bank of that country.

Directors appointed as aforesaid, other than *ex officio* Directors or their substitute nominees, shall hold office for three years but shall be eligible for reappointment.

(3) Not more than nine persons to be elected by the following procedure:—

The Governor of the central bank of every country, other than those mentioned in sub-clause (1), in which capital has been subscribed at the time of incorporation shall be entitled to submit a list of four candidates of his own nationality for directorship, which may include his own name. Two of the candidates on each list shall be representative of finance, and the other two of industry or commerce. From these lists the Board may elect, by a two-thirds majority, not more than nine persons.

The Directors so elected shall be divided by lot into three groups, as nearly as may be equal in number, of which one group shall retire at the end of the first, one at the end of the second, and one at the end of the third financial year of the Bank. The retiring Directors shall be eligible for

re-election.

At the first meeting of Directors in the second and succeeding financial years the Board may elect by a two-thirds majority not more than three Directors from a panel of candidates composed of lists of persons with similar qualifications to those specified in connection with the first election. The Governors of the central banks of every country, other than those mentioned in sub-clause (1), in which capital has at the date of such meeting been subscribed shall be entitled to submit a list of four persons to be included in the panel. Directors so elected shall hold office for three years, but shall be eligible for re-election.

If in any of the countries referred to in the preceding paragraph there is no central bank, the Board by a two-thirds majority may nominate an appropriate financial institution to exercise the right of submitting a list of candidates for election

Article 29.

In the event of a vacancy occurring on the Board for any reason other than the termination of a period of office in accordance with the preceding Article the vacancy shall be filled in accordance with the procedure by which the member to be replaced was selected. In the case of Directors other than *ex officio* Directors, the new Director shall hold office for the unexpired period only of his predecessor's term of office. He shall, however, be eligible for re-election at the expiration of that term.

Article 30.

Directors must be ordinarily resident in Europe or in a position to attend regularly at meetings of the Board.

Article 31.

No person shall be appointed or hold office as a Director who is a member or an official of a Government or a member of a legislative body, unless he is the Governor of a central bank.

Article 32.

Meetings of the Board shall be held not less than ten times a year. At least four of these shall be held at the registered office of the Bank.

Article 33.

A member of the Board who is not present in person at a meeting of Directors may give a proxy to any other member authorising him to vote at that meeting on his behalf.

Article 34.

Unless otherwise provided by the Statutes, decisions of the Board shall be taken by a simple majority of those present or represented by proxy. In the case of an equality of votes, the Chairman shall have a second or casting vote.

The Board shall not be competent to act unless a quorum of Directors is present. This quorum shall be laid down in a regulation adopted by a two-thirds majority of the Board.

Article 35.

The members of the Board may receive, in addition to out-of-pocket expenses, a fee for attendance at meetings and/or a remuneration, the amounts of which will be fixed by the Board, subject to the approval of the General Meeting.

Article 36.

The proceedings of the Board shall be summarised in minutes which shall be signed by the Chairman.

Copies of or extracts from these minutes for the purpose of production in a Court of Justice must be certified by the General Manager of the Bank.

A record of decisions taken at each meeting shall be sent within eight days of the meeting to every member.

Article 37.

The Board shall represent the Bank in its dealings with

third parties and shall have the exclusive right of entering into engagements on behalf of the Bank. It may however delegate this right to a member or members of the Board or of the permanent staff of the Bank, provided that it defines the powers of each person to whom it delegates this right.

Article 38.

The Bank shall be legally committed *vis-à-vis* third parties by the signature of the President or by two signatures either of members of the Board or of members of the staff who have been duly authorised by the Board to sign on its behalf.

Article 39.

The Board shall elect from among its members a Chairman and one or more Vice-Chairmen, one of whom shall preside at meetings of the Board in the absence of the Chairman.

The Chairman of the Board shall be President of the Bank. He shall hold office for three years and shall be eligible for re-election.

Subject to the authority of the Board, the President will carry out the policy and control the administration of the Bank.

He shall not hold any other office which, in the judgment of the Board, might interfere with his duties as President.

Article 40.

At the meeting of the Board at which the election of a Chairman is to take place, the Chair shall be taken by the oldest member of the Board present.

Article 41.

A General Manager shall be appointed by the Board on the proposal of the President. He will be responsible to the President for the operations of the Bank and will be the chief of its operating staff.

The Heads of Departments, and any other officers of similar rank, shall be appointed by the Board on recommenda-

tions made by the President after consultation with the General Manager.

The remainder of the staff shall be appointed by the General Manager with the approval of the President.

Article 42.

The departmental organisation of the Bank shall be determined by the Board.

Article 43.

The Board may, if it thinks fit, appoint from among its members an Executive Committee to assist the President in the administration of the Bank.

The President shall be a member and *ex officio* Chairman of this Committee.

Article 44.

The Board may appoint advisory committees chosen wholly or partly from persons not concerned in the Bank's management.

Article 45.

As long as the Plan is in force, the Board shall convene the Special Advisory Committee referred to in the Plan, upon receipt of the notice therein provided for.

Chapter V.—General Meeting.

Article 46.

General Meetings of the Bank may be attended by nominees of the central banks or other financial institutions referred to in Article 15.

Voting rights shall be in proportion to the number of shares subscribed in the country of each institution represented at the meeting.

The Chair shall be taken at General Meetings by the Chairman of the Board or in his absence by a Vice-Chairman.

At least three weeks' notice of General Meetings shall be given to those entitled to be represented.

Subject to the provisions of these Statutes, the General Meeting shall decide upon its own procedure.

Article 47.

Within three months after the end of each financial year of the Bank, an Annual General Meeting shall be held upon such date as the Board may decide.

The meeting shall take place at the registered office of the Bank.

Voting by proxy will be permitted in such manner as the Board may have provided in advance by regulation.

Article 48.

The Annual General Meeting shall be invited:

- (a) to approve the Annual Report, the Balance-Sheet upon the Report of the Auditors, and the Profit and Loss Account, and any proposed changes in the remuneration, fees or allowances of the members of the Board;
- (b) to make appropriations to Reserve and to special funds; and to consider the declaration of a dividend and its amount;
- (c) to elect the auditors for the ensuing year and to fix their remuneration; and
- (d) to discharge the Board from all personal responsibility in respect of the past financial year.

Article 49.

Extraordinary General Meetings shall be summoned to decide upon any proposals of the Board:

- (a) to amend the Statutes;
- (b) to increase or decrease the capital of the Bank;
- (c) to liquidate the Bank.

Chapter VI.—*Accounts and Profits.*

Article 50.

The financial year of the Bank will begin on 1st April and end on 31st March. The first financial period will end on 31st March, 1931.

Article 51.

The Bank shall publish an Annual Report, and at least once a month a Statement of Account in such form as the Board may prescribe.

The Board shall cause to be prepared a Profit and Loss Account and Balance Sheet of the Bank for each financial year in time for submission to the Annual General Meeting.

Article 52.

The Accounts and Balance Sheet shall be audited by independent auditors. The auditors shall have full power to examine all books and accounts of the Bank and to require full information as to all its transactions. The auditors shall report to the Board and to the General Meeting and shall state in their Report:

- (a) whether or not they have obtained all the information and explanations they have required; and
- (b) whether, in their opinion, the Balance Sheet dealt with in the Report is properly drawn up so as to exhibit a true and correct view of the state of the Bank's affairs according to the best of their information and the explanations given to them, and as shown by the books of the Bank.

Article 53.

The yearly net profits of the Bank shall be applied as follows:—

- (a) five per cent. of such net profits, or such proportion of five per cent. as may be required for the purpose,

shall be paid to a reserve fund called the Legal Reserve Fund until that Fund reaches an amount equal in value to ten per cent. of the amount of the paid-up capital of the Bank for the time being;

- (b) thereafter such net profits shall be applied in or towards the payment of a dividend of six per cent. per annum on the amount of the paid-up capital of the Bank. This dividend shall be cumulative;
- (c) as to the residue (if any) of such net profits twenty per cent. shall be paid to the shareholders until a maximum further dividend of six per cent. (which shall be noncumulative) is reached, provided that the Board may in any year withhold all or any part of this additional payment and place it to the credit of a special dividend reserve fund for use in maintaining the cumulative six per cent. dividend provided for in the preceding paragraph or for subsequent distribution to the shareholders;
- (d) after making provision for the foregoing, one-half of the yearly net profits then remaining shall be paid into the General Reserve Fund of the Bank until it equals the paid-up capital. Thereafter forty per cent. shall be so applied until the General Reserve Fund equals twice the paid-up capital; thirty per cent. until it equals three times the paid-up capital; twenty per cent. until it equals four times the paid-up capital; ten per cent. until it equals five times the paid-up capital; and from that point onward, five per cent.

In case the General Reserve Fund, by reason of losses or by reason of an increase in the paid-up capital, falls below the amounts provided for above after having once attained them, the appro-

appropriate proportion of the yearly net profits shall again be applied until the position is restored.

(e) As long as the Plan is in force any remainder of the net profits after meeting the foregoing requirements shall be disposed of as follows:—

(i) as to seventy-five per cent. to such of the Governments or central banks of Germany and the countries entitled to share in the annuities payable under the Plan, as have maintained time deposits at the Bank subject to withdrawal in not less than five years from the time of deposit or after four years on not less than one year's notice. This sum shall be distributed annually in proportion to the size of the deposits maintained by the respective Governments or central banks in question. The Board shall have the power to determine the minimum deposit which would justify the distribution provided for;

(ii) as to twenty-five per cent. as follows:—

If the German Government elects to make a long-term deposit with the Bank withdrawable only on the terms specified under sub-clause (i) above and amounting to the minimum sum of 400,000,000 reichsmarks, the said twenty-five per cent. shall go into a Special Fund, to be used to aid Germany in paying the last twenty-two annuities provided for in the Plan.

If the German Government elects to make such long-term deposit amounting to a sum below 400,000,000 reichsmarks, the participation of the German Government shall be reduced in proportion, and the balance shall be added to the seventy-five per cent. referred to in sub-clause (i) above.

If the German Government elects not to make any such long-term deposit, the said twenty-five

per cent. shall be distributed as provided in sub-clause (i) above.

The Special Fund referred to above shall carry compound interest, reckoned on an annual basis, at the maximum current rate paid by the Bank on time deposits.

If the Special Fund should exceed the amount required to pay the last twenty-two annuities, the balance shall be distributed among the creditor Governments as provided for in the Plan.

(f) At the expiration of the period referred to in the first paragraph of sub-clause (e) the disposal of the remainder of the net profits referred to in sub-clause (e) shall be determined by the General Meeting on the proposal of the Board.

Article 54.

Reserve Funds.

The General Reserve Fund shall be available for meeting any losses incurred by the Bank. In case it is not adequate for this purpose, recourse may be had to the Legal Reserve Fund provided for in Article 53 (a).

These reserve funds, in the event of liquidation, and after the discharge of the liabilities of the Bank and the costs of liquidation, shall be divided among the shareholders.

Chapter VII—General Provisions.

Article 55.

The Bank may not be liquidated except by a three-fourths majority of the General Meeting. It shall not in any case be liquidated before it has discharged all the obligations which it has assumed under the Plan.

Article 56.

(1) If any dispute shall arise between the Bank, on the

one side, and any central bank, financial institution, or other bank referred to in the present Statutes, on the other side, or between the Bank and its shareholders, with regard to the interpretation or application of the Statutes of the Bank, the same shall be referred for final decision to the Tribunal provided for by The Hague Agreement of January, 1930.

(2) In the absence of agreement as to the terms of submission either party to a dispute under this Article may refer the same to the Tribunal, which shall have power to decide all questions (including the question of its own jurisdiction) even in default of appearance by the other party.

(3) Before giving a final decision and without prejudice to the questions at issue, the President of the Tribunal, or, if he is unable to act in any case, a member of the Tribunal to be designated by him forthwith, may, on the request of the first party applying therefor, order any appropriate provisional measures in order to safeguard the respective rights of the parties.

(4) The provisions of this Article shall not prejudice the right of the parties to a dispute to refer the same by common consent to the President or a member of the Tribunal as sole arbitrator.

Article 57.

In all cases not covered by the preceding Article, or by some other provision for arbitration, the Bank may proceed or be proceeded against in any court of competent jurisdiction.

Article 58.

For the purpose of these Statutes:—

- (1) Central bank means the bank in any country to which has been entrusted the duty of regulating the volume of currency and credit in that country; or, where a banking system has been so entrusted, the bank forming part of such system which is

situated and operating in the principal financial market of that country.

- (2) The Governor of a central bank means the person who, subject to the control of his Board or other competent authority, has the direction of the policy and administration of the Bank.
- (3) A two-thirds majority of the Board means not less than two-thirds of the votes (whether given in person or by proxy) of the whole directorate.

Article 59.

Amendments of any Articles of these Statutes other than those enumerated in Article 60 may be proposed by a two-thirds majority of the Board to the General Meeting and if adopted by a majority of the General Meeting shall come into force, provided that such amendments are not inconsistent with the provisions of the Articles enumerated in Article 60.

Article 60.

Articles 2, 3, 4, 9, 15, 20, 25, 28, 46, 53, 56, 59 and 60 cannot be amended except subject to the following conditions: the amendment must be adopted by a two-thirds majority of the Board, approved by a majority of the General Meeting and sanctioned by a law supplementing the Charter of the Bank.

...situated and operating in the principal financial
...market of that country...
(3) The Governor of a central bank means the person who
...subject to the control of the Board or other com-
...parent authority, has the direction of the policy
...and administration of the Bank...

(4) Any two-thirds majority of the Board means not less
...than two-thirds of the votes (whether given in
...person or by proxy) of the whole Board, and
...not less than two-thirds of the votes of the members
...of the Board who are present at the meeting.

Article 58

Amendments of any Articles of these Statutes other than
those enumerated in Article 59 may be proposed by a two-
thirds majority of the Board to the General Meeting and if
approved by a majority of the General Meeting shall come into
force provided that such amendments are not inconsistent
with the provisions of the Articles enumerated in Article 60.

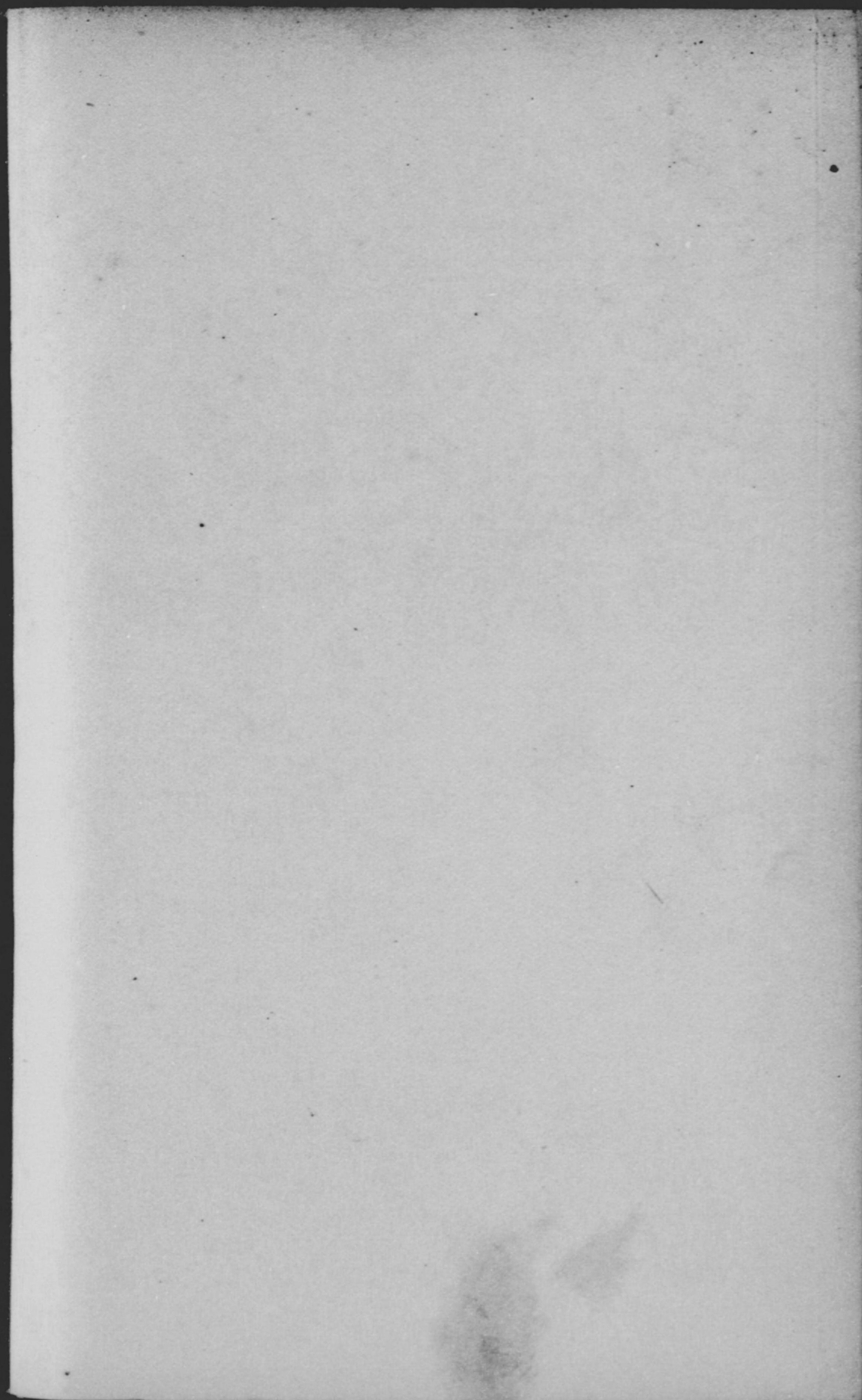
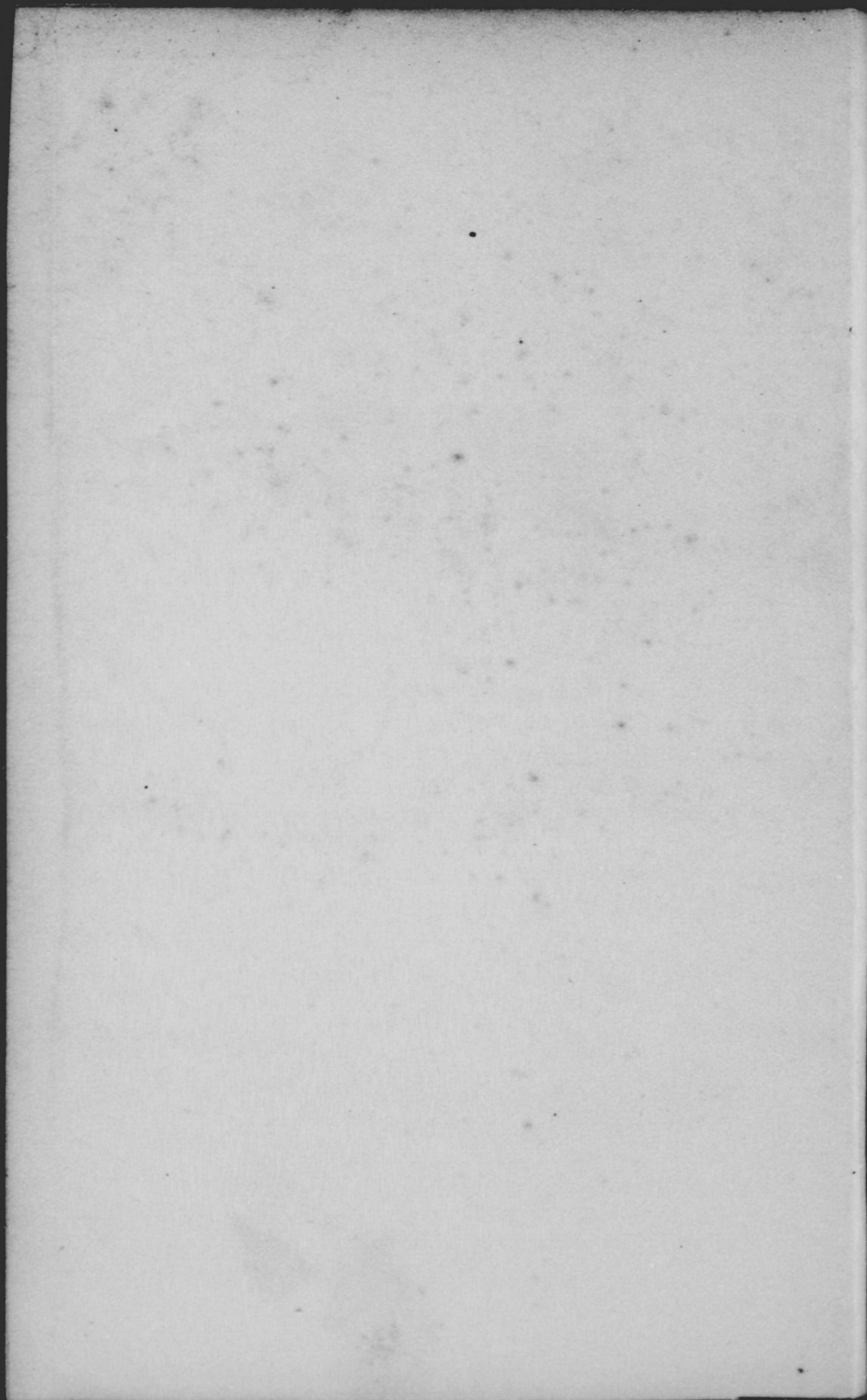
Article 59

Articles 2, 3, 4, 5, 6, 7, 8, 9, 10, 11, 12, 13, 14, 15, 16, 17, 18, 19, 20, 21, 22, 23, 24, 25, 26, 27, 28, 29, 30, 31, 32, 33, 34, 35, 36, 37, 38, 39, 40, 41, 42, 43, 44, 45, 46, 47, 48, 49, 50, 51, 52, 53, 54, 55, 56, 57, 58, 59 and 60 can-
not be amended except subject to the following conditions:
The amendment must be adopted by a two-thirds majority of
the Board, approved by a majority of the General Meeting
and sanctioned by a law supplementing the Charter of the
Bank.

...to amend the Statutes...
...to amend the Statutes...
...to amend the Statutes...

Article 60

For the purpose of this Statute...
(1) Central bank means the bank in any country in
...which the currency is issued and which
...is authorized to issue and control the currency
...of that country and which is a banking system
...of that country...



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