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Treaties and international agreements
registered
on 15 June 1959
No. 4764

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Traités et accords internationaux
enregistrés
le 15 juin 1959
N° 4764
No. 4764

BELGIUM, CANADA, CEYLON,
DENMARK, FRANCE, etc.
and
FEDERAL REPUBLIC OF GERMANY

Agreement on German external debts (with annexes and subsidiary agreements). Signed at London, on 27 February 1953

Official texts: English, French and German.

Registered by the United Kingdom of Great Britain and Northern Ireland on 15 June 1959.

BELGIQUE, CANADA, CEYLAN,
DANEMARK, FRANCE, etc.
et
RÉPUBLIQUE FÉDÉRALE D'ALLEMAGNE

Accord sur les dettes extérieures allemandes (avec annexes et accords subsidiaires). Signé à Londres, le 27 février 1953

Textes officiels anglais, français et allemand.

Enregistré par le Royaume-Uni de Grande-Bretagne et d'Irlande du Nord le 15 juin 1959.
United Nations — Treaty Series

No. 4764. AGREEMENT 1 ON GERMAN EXTERNAL DEBTS.
SIGNED AT LONDON, ON 27 FEBRUARY 1953

The Governments of Belgium, Canada, Ceylon, Denmark, the French Republic, Greece, Iran, Ireland, Italy, Liechtenstein, Luxembourg, Norway, Pakistan, Spain, Sweden, Switzerland, the Union of South Africa, the United Kingdom of Great Britain and Northern Ireland, the United States of America, and Yugoslavia of the one part,

and

The Government of the Federal Republic of Germany of the other part,

Desiring to remove obstacles to normal economic relations between the Federal Republic of Germany and other countries and thereby to make a contribution to the development of a prosperous community of nations;

1 Came into force on 16 September 1953, upon the deposit with the Government of the United Kingdom of Great Britain and Northern Ireland of the instruments of ratification by the Government of the Federal Republic of Germany and the Governments of the French Republic, the United Kingdom and the United States of America, in accordance with article 35. In respect of any State which deposited its instrument of ratification or accession after that date, the Agreement came into force on the date of such deposit. Following is the list of ratifications, accessions and extensions to territories:

<table>
<thead>
<tr>
<th>Country</th>
<th>Date of deposit</th>
<th>Date of deposit</th>
</tr>
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<tbody>
<tr>
<td>Belgium (including Belgian Congo and Ruanda-Urundi)</td>
<td>18 January 1954</td>
<td></td>
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<tr>
<td>Canada</td>
<td>14 November 1953</td>
<td></td>
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<td>Ceylon</td>
<td>10 February 1953</td>
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<td>France</td>
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<td>Federal Republic of Germany</td>
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<tr>
<td>Berlin</td>
<td>5 October 1953</td>
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<tr>
<td>Greece</td>
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<td>Ireland</td>
<td>12 November 1953</td>
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<td>Luxembourg</td>
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<td>Norway</td>
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<td>Spain</td>
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<td>Sweden</td>
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<td>Switzerland (with declaration)*</td>
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<td>Union of South Africa (including South-West Africa)</td>
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<tr>
<td>United Kingdom of Great Britain and Northern Ireland</td>
<td>4 September 1953</td>
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<tr>
<td>United States of America (and all territories for the international relations of which the Government of the United States is responsible)</td>
<td>16 September 1953</td>
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<tr>
<td>Yugoslavia</td>
<td>15 March 1956</td>
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* DECLARATION

"The Swiss Federal Council have decided to deposit the instrument of ratification concerning the Agreement on German External Debts, although their efforts to obtain an appropriate prolongation of the time limits set by Annex IV of the Agreement (30th June and 31st December, 1953) for the exercise of certain creditor rights have not yet led to a satisfactory result. Without making a reservation or qualification according to Article 38 of the Agreement, the Swiss Federal Council will have to pursue this question further and undertake, if necessary, further steps."

(Footnote 1 continued on p. 6.)
Considering that, for about twenty years, payments on German external debts have not, in general, conformed to the contractual terms; that from 1939 to 1945 the existence of a state of war prevented any payments from being made with respect to many of such debts; that since 1945 such payments have been generally suspended; and that the Federal Republic of Germany desires to put an end to this situation;

Considering that France, the United Kingdom of Great Britain and Northern Ireland and the United States of America have, since 8th May, 1945, furnished to Germany economic assistance which has substantially contributed to the rebuilding of the German economy, with the effect of facilitating a resumption of payments on the German external debts;

Considering that on 6th March, 1951, an exchange of letters (copies of which are contained in Appendix A to the present Agreement) took place between the Governments of the French Republic, the United Kingdom of Great Britain and Northern Ireland, the United States of America and the Government of the Federal Republic of Germany, which constitutes the basis on which have been established the present Agreement for the settlement of German external debts (with its Annexes) and the agreements for the settlement of the debts arising out of the economic assistance furnished to Germany;

Considering that the Governments of the French Republic, the United Kingdom of Great Britain and Northern Ireland and the United States of America set up a Commission entitled the Tripartite Commission on German Debts for the purpose of preparing for and working out, with the Government of the Federal Republic of Germany, with other interested Governments and with representatives of creditor

(Continued from p. 4.)

ACCESSIONS

<table>
<thead>
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<th>Date of deposit</th>
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<td>Australia ......</td>
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<td>Austria .......</td>
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<td>Cambodia ......</td>
<td>16 July 1953</td>
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<td>Egypt ..........</td>
<td>11 May 1953</td>
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<td>Finland ......</td>
<td>28 May 1955</td>
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<td>Iran ..........</td>
<td>22 December 1953</td>
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<td>Israel ........</td>
<td>23 October 1956</td>
</tr>
<tr>
<td>Netherlands ....</td>
<td>1 August 1958</td>
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<tr>
<td>New Zealand (applicable also to the Cook Is-</td>
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EXTENSIONS

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<tbody>
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<td>Channel Islands</td>
<td>1 April 1954</td>
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<td>Aden, Falkland Islands</td>
<td>24 November 1954</td>
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<tr>
<td>Gibraltar, Malta, Zanzibar</td>
<td>12 November 1956</td>
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<tr>
<td>Southern Rhodesia</td>
<td>16 September 1953</td>
</tr>
<tr>
<td>Northern Rhodesia, Nyasaland</td>
<td>French Morocco,</td>
</tr>
</tbody>
</table>

1 See p. 264 of this volume.
and debtor interests, a plan for the orderly overall settlement of German external debts;

Considering that this Commission informed the representatives of the Government of the Federal Republic of Germany that the Governments of the French Republic, the United Kingdom of Great Britain and Northern Ireland and the United States of America were prepared to make important concessions with respect to the priority of their claims for post-war economic assistance over all other foreign claims against Germany and German nationals and with respect to the total amount of these claims, on condition that a satisfactory and equitable settlement of Germany's pre-war external debts was achieved;

Considering that such a settlement of German external debts could be achieved only by a single overall plan which would take into account the relative positions of the various creditor interests, the nature of various categories of claims and the general situation of the Federal Republic of Germany;

Considering that, in order to achieve this purpose, an International Conference on German External Debts, which was attended by representatives of interested Governments and of creditor and debtor interests, was held in London from 28th February, 1952, to 8th August, 1952;

Considering that these representatives made agreed recommendations as to the terms and procedures of settlement (the texts of which are reproduced as Annexes I to VI,¹ inclusive, to the present Agreement); that these recommendations were appended to the Report of the Conference on German External Debts (the text of which is reproduced as Appendix B² to the present Agreement); and that the present Agreement has been inspired by the principles and objectives set forth in the above-mentioned Report;

Considering that the Governments of the French Republic, the United Kingdom of Great Britain and Northern Ireland and the United States of America, having found that these recommendations provide a satisfactory and equitable plan for the settlement of German external debts, have this day signed with the Government of the Federal Republic of Germany bilateral agreements for the settlement of debts arising from the post-war economic assistance³ furnished by these three Governments which set forth their modified rights and priorities in respect thereto;

Have agreed as follows:

¹ See pp. 96 to 236 of this volume.
² See p. 270 of this volume.
Article 1

APPROVAL OF SETTLEMENT TERMS AND PROCEDURES

The Parties to the present Agreement regard the provisions thereof and of the Annexes thereto as reasonable in the light of the general situation of the Federal Republic of Germany and as satisfactory and equitable to the interests concerned. They approve the settlement terms and procedures contained in the said Annexes.

Article 2

IMPLEMENTATION BY THE FEDERAL REPUBLIC OF GERMANY

The Federal Republic of Germany will enact such legislation and take such administrative action as may be necessary to give effect to the present Agreement and the Annexes thereto and will modify or repeal such legislation and administrative measures as are inconsistent therewith.

Article 3

DEFINITIONS

For the purposes of the present Agreement and of Annexes IX\(^1\) and X\(^2\) thereto only, unless the context requires otherwise—

(a) “creditor” means a person, other than the Government of the Federal Republic of Germany, to whom a debt is owing;

(b) “creditor country” means a country, other than the Federal Republic of Germany, the Government of which becomes a party to the present Agreement and includes any territories to which the present Agreement is extended under Article 37;

(c) “currency option” means a term of a contract under which a creditor has the right to require payment in any one of two or more currencies;

(d) “debt” means a debt as qualified in Article 4;

(e) “fixed,” in relation to the amount of a debt, means established by agreement, by final judgment or order of a court or final decision of an arbitral body, or by operation of law;

(f) “marketable securities” means stocks, shares, bonds and debentures which were issued for public subscription or form part of an issue which is or has been dealt in on a recognised stock market;

(g) “offer of settlement,” as used in relation to a bonded debt, means an offer by the debtor of terms of payment and other conditions which have been established

\(^1\) See p. 250 of this volume.

\(^2\) See p. 256 of this volume.
for such debt in accordance with the present Agreement and the Annexes thereto, by negotiation between the debtor and the appropriate creditors' representative, by final judgment or order of a court or final decision of an arbitral body;

(h) "Party to the present Agreement" means any Government as to which the present Agreement has entered into force in accordance with the provisions of Article 35 or Article 36 thereof;

(i) "person" means any natural, collective or juridical person under public or private law, and any Government, including all political subdivisions, corporations under public law, including agencies and instrumentalities thereof and individuals acting on their behalf;

(j) "resides in" or "residing in" means having his ordinary residence in; a juridical person or a partnership shall be deemed to reside in the country under the laws of which it is organised or, if its head office is not in that country, in the country in which its head office is registered;

(k) "settled," in relation to a debt, means that terms of payment and other conditions have been established for such debt in accordance with the provisions of the present Agreement and the Annexes thereto, by agreement between the creditor and debtor, or, in proceedings between the creditor and debtor, by final judgment or order of a court or by final decision of an arbitral body;

(l) "settlement," in relation to a debt, means the establishment of terms of payment and other conditions in accordance with paragraph (k).

**Article 4**

**Debts to be Settled**

(1) The debts to be settled under the present Agreement and the Annexes thereto are:

(a) non-contractual pecuniary obligations the amount of which was fixed and due before 8th May, 1945;

(b) pecuniary obligations arising out of loan or credit contracts entered into before 8th May, 1945;

(c) pecuniary obligations arising out of contracts other than loan or credit contracts and due before 8th May, 1945;

(2) Provided that such debts:

(a) are covered by Annex I to the present Agreement, or

(b) are owed by a person, whether as principal or otherwise, and whether as original debtor or as successor, who, whenever a proposal for settlement is made by the

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1 See p. 96 of this volume.
debtor or a request for settlement is made by the creditor or, where appropriate in the case of a bonded debt, a request for settlement is made by the creditors, representative under the present Agreement and the Annexes thereto, resides in the currency area of the Deutschemark West;

(3) Provided also that such debts:
(a) are owed to the Government of a creditor country; or
(b) are owed to a person who, whenever a proposal for settlement is made by the debtor or a request for settlement is made by the creditor under the present Agreement and the Annexes thereto, resides in or is a national of a creditor country; or
(c) arise out of marketable securities payable in a creditor country.

Article 5

Claims excluded from the Agreement

(1) Consideration of governmental claims against Germany arising out of the first World War shall be deferred until a final general settlement of this matter.

(2) Consideration of claims arising out of the second World War by countries which were at war with or were occupied by Germany during that war, and by nationals of such countries, against the Reich and agencies of the Reich, including costs of German occupation, credits acquired during occupation on clearing accounts and claims against the Reichskreditkassen shall be deferred until the final settlement of the problem of reparation.

(3) Consideration of claims, arising during the second World War, by countries which were not at war with or occupied by Germany during that war, and by nationals of such countries, against the Reich and agencies of the Reich, including credits acquired on clearing accounts, shall be deferred until the settlement of these claims can be considered in conjunction with the settlement of the claims specified in paragraph (2) of this Article (except in so far as they may be settled on the basis of, or in connexion with, agreements which have been signed by the Governments of the French Republic, the United Kingdom of Great Britain and Northern Ireland and the United States of America and the Government of any such country).

(4) Claims against Germany or German nationals by countries which were, before 1st September, 1939, incorporated in, or which were, on or after 1st September, 1939, allied to, the Reich, and of nationals of such countries, arising out of obligations undertaken or rights acquired between the date of incorporation (or, in
the case of countries allied to the Reich, 1st September, 1939) and 8th May, 1945, shall be dealt with in accordance with the provisions made or to be made in the relevant treaties. To the extent that, under the terms of such treaties, any such debts may be settled, the terms of the present Agreement shall apply.

(5) The settlement of debts owed by the City of Berlin and by public utility enterprises owned or controlled by Berlin, and situated in Berlin, shall be deferred until such time as negotiations on the settlement of these debts are considered by the Governments of the French Republic, the United Kingdom of Great Britain and Northern Ireland and the United States of America and by the Government of the Federal Republic of Germany and the Senat of Berlin to be practicable.

Article 6

PAYMENT AND TRANSFER UNDER THE AGREEMENT

The Federal Republic of Germany will:
(a) make payments and transfers, in accordance with the provisions of the present Agreement and of the Annexes thereto, on the debts for which it is liable thereunder;
(b) permit the settlement and payment, in accordance with the provisions of the present Agreement and the Annexes thereto, of debts for which any person other than the Federal Republic of Germany is liable, and make provision for the transfer of payments on such debts as are settled, under the provisions of this Agreement and the Annexes thereto.

Article 7

PAYMENT AND TRANSFER WITH RESPECT TO CERTAIN OBLIGATIONS DUE AFTER 1945

The Federal Republic of Germany will authorise payment of obligations outstanding at the date of the entry into force of the present Agreement, and authorise transfer within a reasonable time in respect of such obligations where appropriate in the light of the relevant provisions of the present Agreement and the Annexes thereto, provided that such obligations—
(a) are non-contractual pecuniary obligations which originated before 8th May, 1945, and the amount of which was not fixed and due before that date, or
(b) are pecuniary obligations which arose out of contracts other than loan or credit contracts and which originated before 8th May, 1945, and became due on or after that day,
and provided that such obligations fulfil the conditions laid down in paragraphs (2) and (3) of Article 4.
Article 8
PROHIBITION OF DISCRIMINATORY TREATMENT

The Federal Republic of Germany will not permit, nor will the creditor countries seek from the Federal Republic of Germany, either in the fulfilment of terms of settlement in accordance with the present Agreement and the Annexes thereto or otherwise, any discrimination or preferential treatment among the different categories of debts or as regards the currencies in which debts are to be paid or in any other respect. Differences in the treatment of different categories of debts resulting from settlement in accordance with the provisions of the present Agreement and the Annexes thereto shall not be considered discrimination or preferential treatment.

Article 9
TREATMENT OF TRANSFERS AS PAYMENTS FOR CURRENT TRANSACTIONS

Transfers of interest and amortisation payments made under the present Agreement shall be treated as payments for current transactions and, where appropriate, provided for in any bilateral or multilateral arrangements relating to trade or payments between the Federal Republic of Germany and the creditor countries.

Article 10
LIMITATIONS ON PAYMENT

The Federal Republic of Germany will, until the discharge or extinction of all obligations under the present Agreement and the Annexes thereto, ensure that payments will not be made in respect of obligations which, while covered by paragraphs (1) and (2) of Article 4, are owed to a Government other than that of a creditor country or to any person not residing in or a national of a creditor country and which are or were payable in a non-German currency. This provision does not apply to debts arising from marketable securities payable in a creditor country.

Article 11
CURRENCY OF PAYMENT

(1)—(a) Except as otherwise provided in the Annexes to the present Agreement, debts without a currency option shall be paid in the currency in which they are payable under the terms of the obligation. If such debts are denominated in German currency and, under the provisions of the Annexes to the present Agreement, are to be paid in a non-German currency, they shall be paid in the currency of the country in which the creditor resides.
(b) Notwithstanding the provisions of the preceding sub-paragraph, any payments agreements from time to time in force between the Government of the Federal Republic of Germany and the Government of a creditor country shall apply to debts which, under that sub-paragraph, are to be paid to persons residing in that country in a non-German currency. However, any such payments agreements shall apply to payments on bonded debts payable in a non-German currency other than the currency of the country party to the payments agreement only if the Government of such country agrees that such payments to persons residing in its territory may be made in its own currency.

(2)—(a) The question whether payment on debts with a currency option may continue to be required in a currency other than the currency of the country in which the loan was raised or from which credit was advanced shall be determined in a manner to be agreed upon among the Governments of the Federal Republic of Germany and of the countries the currencies of which are concerned.

(b) If a currency option provides for payment of a fixed amount of an alternative currency, the creditor shall be entitled to receive, in the currency of the country in which the loan was raised or from which credit was advanced, the equivalent, at the rate of exchange current on the date payment shall fall due, of such amount of the alternative currency as would have been payable if the option had been exercised.

(c) Payments on debts with a currency option made, prior to the determination provided for in sub-paragraph (a) of this paragraph, in the currency of the country in which the loan was raised or from which the credit was advanced, shall not be affected by such determination.

(3) The provisions of paragraphs (1) and (2) of this Article shall not apply to debts covered by paragraphs 2 and 3 of Annex I to the present Agreement.

(4) Any payments agreements from time to time in force between the Government of the Federal Republic of Germany and the Government of a creditor country shall apply to payments on debts which are subject to the provisions of paragraphs (2) and (3) of this Article provided that these payments are due in the currency of the creditor country.

(5) In the case of debts originating in business transactions of a registered branch office of a creditor, a condition of which was that payment should be made to the country where the branch office is located, such country shall be deemed to be the creditor country within the meaning of this Article.

Article 12

TREATMENT OF GOLD CLAUSES

In the settlement and discharge of any debt denominated in a non-German currency on a gold basis or with a gold clause, the amount to be paid shall, except
as specifically provided otherwise in the Annexes to the present Agreement, be computed as below:

(a) The amount to be paid on a debt which, under the terms of the obligation existing at the time of the settlement, is denominated or payable in United States dollars or Swiss francs on a gold basis or with a gold clause, shall be determined without regard to such gold basis or gold clause. Any new contract entered into by the creditor and the debtor respecting such debt shall be denominated in United States dollars or in Swiss francs without reference to the value in terms of gold of such currency and shall not contain a gold clause.

(b) The amount to be paid on a debt which, under the terms of the obligation existing at the time of the settlement, is denominated or payable in any other non-German currency on a gold basis or with a gold clause, shall be determined as follows:

(i) the equivalent in United States dollars of the nominal amount due shall be calculated at the rate of exchange on the date when the obligation was contracted or, in the case of a bonded debt, when the bonds were issued;

(ii) the dollar figure so calculated shall be converted into the currency in which the obligation is to be paid in accordance with Article 11 at the rate of exchange between the United States dollar and such currency on the date when the amount payable is due, except that if such rate of exchange is less favourable for the creditor than the rate of exchange between the United States dollar and such currency on 1st August, 1952, the conversion shall be made on the basis of the rate of exchange on 1st August, 1952.

Article 13

Rates of Exchange

Wherever it is provided in the present Agreement and the Annexes thereto that an amount shall be calculated on the basis of a rate of exchange, such rate shall, except in the cases provided for in Annex III \(^1\) and in Article 8 of Annex IV \(^2\) of the present Agreement, be—

(a) determined by the par values of the currencies concerned in force on the appropriate date as agreed with the International Monetary Fund under Article IV, Section 1, of the Articles of Agreement of the International Monetary Fund; \(^3\) or

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\(^1\) See p. 152 of this volume.

\(^2\) See p. 200 of this volume.

(b) if no such par values are or were in force on the appropriate date, the rate of
exchange agreed for current payments in a bilateral payments agreement be-
tween the Governments concerned or their monetary authorities; or

(c) if neither par values nor rates in bilateral payments agreements are or were in
force on the appropriate date, the middle rate of exchange generally applicable
for transactions ruling for cable transfers in the currency of the country in which
payment is to be made in the principal exchange market of the other country
on that date, or on the last date before that date on which such rate was ruling; or

(d) if there is or was no rate of exchange as specified under (a), (b) or (c) at the
appropriate date, the cross-rate of exchange resulting from the middle rates
of exchange ruling for the currencies in question in the principal exchange
market of a third country dealing in those currencies on that date or the last
date before the said date upon which such rates were ruling.

Article 14

CERTAIN DEBTS EXPRESSED IN GERMAN CURRENCY

(1) The Federal Republic of Germany will take similar action to that provided
for in paragraph 6 of Annex I to the present Agreement with respect to any Reichs-
mark debts for which it has assumed or may assume liability and which are not cov-
ered by that paragraph.

(2) In application of the principle of national treatment, the Federal Republic
of Germany will further ensure that debts arising from Reichsmark bonds, which are
not Goldmark debts with a specific foreign character, and which were owed on
21st June, 1948, to persons who on that date were nationals of or residents in a
creditor country, and payment on which under legislation in the currency area of the
Deutschemark West can be enforced only for a proportionate part, will be met in the
same manner as similar liabilities towards persons residing in the currency area of the
Deutschemark West.

(3) In the settlement of other debts payable in German currency and owed to
nationals of creditor countries residing in the currency area of the Deutschemark
West, the terms shall be not less favourable than those accorded to similar liabilities
owed to any other persons residing in the said area.

Article 15

ACCEPTANCE BY CREDITORS

(1) Only such creditors shall be entitled to benefit under any provision of the
present Agreement and the Annexes thereto, including payment thereunder, as, in
the case of bonded debts for which an offer of settlement is the appropriate procedure, accept the offer, or, in the case of other debts, assent to the establishment in accordance with such provisions of terms of payment and other conditions in respect of such debts.

(2)—(a) In the case of bonded debts for which an offer of settlement is the appropriate procedure, the acceptance of the offer of settlement, within the meaning of paragraph (1) of this Article, shall be effected by submitting the old bonds or coupons—

(i) for exchange, if new bonds or coupons are issued, or
(ii) for enfacement, if the settlement terms are to be enfaced on the old bonds or coupons.

(b) The holder of a bond covered by Annex II\(^1\) of the present Agreement, in respect of which an offer of settlement is made, shall have a period of at least five years from the date when such offer is made to accept such offer. The debtor shall extend this period for a reasonable cause.

(3) In the case of debts, other than those referred to in paragraph (2) (a) of this Article, the assent of the creditor to the establishment of terms of payment and other conditions within the meaning of paragraph (1) of this Article shall, where no definite requirement is laid down in any Annex to the present Agreement, be considered as effected if the creditor clearly indicates his assent in any manner.

(4) A debtor shall be subject to the application of the procedures for settlement prescribed in the present Agreement and the relevant Annexes thereto in respect of a debt only when he has made a proposal for settlement, a notification of adherence or a declaration of participation in respect of such debt under the provisions of the relevant Annex to the present Agreement. Nothing in this paragraph shall, however, be deemed to affect the provisions of Article 17 of the present Agreement.

(5) In giving effect to the provisions of Article 2 of the present Agreement, the Federal Republic of Germany shall be entitled to take into account the provisions of the foregoing paragraphs of this Article.

*Article 16*

**Discharge of Debtors**

Whenever a debtor has discharged his debt as settled under the terms of the present Agreement and the Annexes thereto, he shall be deemed to have thereby also discharged all his obligations in respect of such debt as it existed before the settlement, unless such obligations have been previously extinguished by agreement.

\(^1\) See p. 128 of this volume.
Article 17

ENFORCEMENT OF CREDITORS' RIGHTS

(1) The Federal Republic of Germany will afford the creditor the right, within the limits of the present Agreement and the Annexes thereto, to enforce through German courts and authorities—

(a) his rights with respect to a debt as they exist at the time when action is taken under this Article if the creditor and debtor do not agree on terms of settlement and the creditor declares his assent to the establishment by such courts of terms of payment and other conditions for his debt in accordance with the provisions of the present Agreement and the Annexes thereto:

(b) his rights under the terms of settlement of the debt if the debtor fails to discharge his obligations in accordance with such terms (including such rights as under the provisions of the present Agreement and the Annexes thereto may be exercised by the creditor upon the failure of the debtor to discharge such obligations), except that the creditor shall not be entitled to the transfer in non-German currency of a principal sum which becomes due as a result of such failure sooner than would have been the case if the debtor had not failed to discharge such obligations.

(2) The creditor shall not be afforded the right provided under paragraph (1) of this Article if, under the provisions of the relevant contract or the present Agreement and the Annexes thereto, the dispute is, at the time that the right provided for under paragraph (1) of this Article is sought to be exercised, exclusively cognisable by an arbitral body or by a court in a creditor country. When such exclusive jurisdiction is provided by the terms of the relevant contract, the debtor and creditor may by agreement waive such a provision and the creditor shall, thereupon, be entitled to such right.

(3)—(a) Irrespective of whether there is reciprocity between the country in which the decision is rendered and the Federal Republic of Germany, the Federal Republic of Germany will afford the creditor the right, subject to the relevant qualifications contained in paragraph (1) and to the provisions of paragraph (4) of this Article, to enforce through German courts and authorities final decisions concerning a debt rendered by courts and arbitral bodies—

(i) in a creditor country after the entry into force of the present Agreement;

(ii) in a creditor country prior to the entry into force of the present Agreement, if the debtor does not contest the debt as established by such decision.

(b) A German court, in any other proceeding respecting a debt which has been the subject of a final decision rendered by a court or arbitral body in a creditor country prior to the entry into force of the present Agreement, shall accept as proved the facts upon which such decision was based, unless the debtor introduces evidence to the contrary. In that case the creditor shall be entitled to introduce rebutting evidence including the transcript of evidence in the former proceeding. The amount of a non-contractual pecuniary obligation established by a decision of a German
court in a proceeding under this paragraph shall, for the purpose of paragraph (1)(a) of Article 4 of the present Agreement, be deemed to have been fixed at the date of the final decision of the court or arbitral body in a creditor country.

(c) The Federal Republic of Germany will afford the creditor the right, subject to the relevant qualifications contained in paragraph (1) of this Article, to enforce through German courts and authorities final decisions concerning a debt rendered by courts and arbitral bodies within Germany before 8th May, 1945, or within the territory of the currency area of the Deutschemark West after 8th May, 1945.

(4) German courts may refuse to enforce a decision of a foreign court or of an arbitral body (except an arbitral body established under the provisions of the present Agreement and the Annexes thereto) under the provisions of paragraph (3) of this Article in any case in which—

(a) the court which gave the decision had no jurisdiction or the jurisdiction of the arbitral body which gave the decision was not based on the agreement of the parties concerned; or

(b) the debtor, in the proceedings in the original court or arbitral body, was not afforded an opportunity to defend the proceedings; or

(c) the enforcement of the decision would be contrary to public policy in the Federal Republic of Germany; provided that the fact that a judgment is not in harmony with the provisions of the present Agreement and the Annexes thereto shall not be deemed to make its enforcement, within the limits of the present Agreement and the Annexes thereto, contrary to public policy within the meaning of this provision.

(5) The Federal Republic of Germany will afford Bondholders' Councils or analogous bodies referred to in Annex I and creditors' representatives referred to in Article VIII of Annex II to the present Agreement the right to have established through German courts and authorities the terms of the offer of settlement in the event of the debtor (other than the Federal Republic of Germany) failing to make a proposal for settlement on his existing bonded debt in accordance with the relevant provisions of Annexes I and II to the present Agreement.

(6)—(a) A debtor who fails to make a proposal for settlement under Annex I or II to the present Agreement shall not, in any proceeding in a German court brought under paragraph (1), (3) or (5) of this Article, be entitled to the benefit of the provisions respecting hardship contained in paragraph 7 (1)(a) of Annex I or paragraph 11 of Article V of Annex II to the present Agreement. When establishing the terms of the offer of settlement or the terms of settlement for the debt, the court shall prescribe the earliest date of maturity which, under the provisions of the relevant Annex, may be applied in settling the debt. The court shall in its judgment award to the plaintiff the expenses referred to in paragraph 7 (h) of Annex I to the present Agreement or paragraph 2 of Article X of Annex II to the present Agreement, to be paid by the
debtor; such expenses shall be immediately due and payable. The court shall also provide for payment by the debtor of the costs of the proceeding and of all reasonable costs and expenses incurred in such proceeding either by the creditor of a non-bonded debt or by the Bondholders' Council or analogous body, or by the creditors' representative concerned in the case of a bonded debt.

(b) If a debtor fails to effect adherence in accordance with Clause 22 of Annex III to the present Agreement, the creditor concerned shall, in any proceeding brought under paragraph (1) or (3) of this Article, be entitled to enforce his rights in accordance with the provisions of the said Annex, but, in the case of a debt owed by a German Commercial or Industrial Debtor within the meaning of the said Annex (whose debt is direct to the creditor), only after the expiration of thirty days after the first meeting of the Consultative Committee provided for in Clause 17 of the said Annex. When ordering payment of the debt in accordance with the said Annex, the court shall award to the creditor the costs of the proceeding and all reasonable costs and expenses incurred by him in such proceeding, to be paid by the debtor.

(c) A debtor who fails to make a declaration of participation required under Article 14 of Annex IV to the present Agreement shall not, in any proceeding in a German court brought under paragraph (1) or (3) of this Article, be entitled to the benefit of the provisions respecting hardship contained in Article 11 of that Annex. A failure based solely upon a denial of the existence of the debt shall not deprive the debtor of such benefit; provided, however, that if the Court of Law or Court of Arbitration referred to in Article 15 of Annex IV finds that such debt exists, the debtor shall not be entitled to benefit from such clause if he fails to make the required declaration within thirty days from the date of the service of the final decision of such court. In a proceeding under this sub-paragraph in which the debtor is not entitled to benefit from the hardship clause the court shall order the payment by the debtor of court costs and all reasonable fees of the plaintiff's counsel.

(7) The Federal Republic of Germany will afford the creditor the right, within the limits of the present Agreement and the Annexes thereto, to enforce through German courts and authorities his claims against a person residing in the currency area of the Deutschemark East out of property owned by such person in the currency area of the Deutschemark West if the claims arise out of obligations which meet the requirements of Article 4 of the present Agreement except as to the residence of the debtor. The right to transfer in foreign currency any sums received by the creditor shall be subject to the foreign exchange regulations from time to time in force in the currency area of the Deutschemark West.
Article 18

PERIODS OF PRESCRIPTION

(1) No debtor shall be entitled to invoke against the establishment of an offer of settlement or against the settlement of a debt the expiration of a period of prescription or of a preclusive period of limitation for the assertion of any claim respecting such debt, which has not expired before 1st June, 1933, earlier than a date determined by treating the running of such respective periods as suspended from 1st June, 1933, until the expiration of eighteen months from the date on which the present Agreement and the relevant Annex thereto become applicable to such debt.

(2) Without prejudice to the provisions of paragraph (1) of this Article, periods of prescription and preclusive periods of limitation referred to in paragraph (1) which are applicable to the bonded debts specified in Sections A and B of Annex I and to those covered by Annex II to the present Agreement shall not, for the purpose of a settlement, be deemed to have expired before the respective dates on which the offer of settlement made by the debtor ceases to be open for acceptance in accordance with the provisions of paragraph 8 (b) of Annex I and of Article 15 of the present Agreement.

(3) The acceptance of an offer of settlement or an assent to a settlement by the creditor in respect of a debt in accordance with the provisions of Article 15 of the present Agreement shall effect an interruption of periods of prescription and preclusive periods of limitation for the assertion of a claim respecting such debt.

(4) The periods referred to in paragraphs (1), (2) and (3) of this Article shall not include periods for the lodging of an appeal against the decision of a court, arbitral body or an administrative authority, periods covered by Section 12, paragraph 3, of the German Law on Insurance Contracts, or periods provided by the German Laws on the Validation of Bonds.

(5) The above provisions shall apply whether the periods have been established by German or other law, by order of a court, of an arbitral body or of an administrative authority, by contract or other legal act. The Federal Republic of Germany will ensure that they are applied in German courts even though the obligation is one which, as to its content, is governed by foreign law.

Article 19

SUBSIDIARY AGREEMENTS

(1) Agreements resulting from the negotiations provided for in—

(a) Paragraph 11 of Annex I to the present Agreement (Græco-German Mixed Arbitral Tribunal Claims) ; (1)

(1) Not concluded.
(b) Paragraph 15 of Annex I to the present Agreement (Liability in respect of Austrian Governmental Debts);¹
(c) Article 10 of Annex IV to the present Agreement (Payments into the Deutsche Verrechnungskasse);²
(d) Sub-Annex to Annex IV to the present Agreement (Swiss Franc Land Charges);³

shall be submitted by the Government of the Federal Republic of Germany (after its approval, where appropriate) for the approval of the Governments of the French Republic, the United Kingdom of Great Britain and Northern Ireland and the United States of America.

(2) Each such agreement shall enter into force, and shall be treated for all purposes as an Annex to the present Agreement, when it is approved by these Governments. A notification to this effect shall be communicated to all the Parties to the present Agreement by the Government of the United Kingdom of Great Britain and Northern Ireland.

Article 20

REICH DEBTS OWING UNDER MULTILATERAL AGREEMENTS

Payments in respect of debts of the Reich or of an agency of the Reich arising out of unpaid contributions or services rendered under the terms of multilateral international agreements or of the statutes of an international organisation are not prohibited by the terms of the present Agreement. The Government of the Federal Republic of Germany will, at the request of the interested creditors, enter into direct negotiations with regard to these debts.

Article 21

RENEWAL OF ANNEX III AGREEMENT

Annex III to the present Agreement shall be treated as including any agreement or agreements which may be entered into after the date of the present Agreement for the purpose of renewing the agreement contained in that Annex. Any such agreement may contain modifications of the provisions of Annex III but shall be designed to establish means for the restoration of normal conditions for financing the foreign trade of the Federal Republic of Germany in accordance with the general purposes of the present Agreement.

¹ See p. 112 of this volume.
² See p. 210 of this volume.
³ See p. 232 of this volume.
Article 22

SOCIAL INSURANCE CLAIMS

(1) The Government of the Federal Republic of Germany will enter into negotiations with the Governments of the creditor countries concerned, with a view to the settlement of social insurance claims arising under the German laws and regulations in force prior to 8th May, 1945, in respect of any period prior to 8th May, 1945, in so far as such claims are to be considered, under the legislation of, or in accordance with undertakings given by, the Federal Republic of Germany, as its liabilities or as liabilities of social insurance institutions in the Federal territory and have not already been dealt with in an agreement with the Government of the creditor country concerned. Nothing in this paragraph is to prevent the inclusion in such agreements of provisions to the effect that any laws or regulations in force in the Federal Republic of Germany with respect to social insurance, which provide for less favourable treatment for the nationals of other countries than for German nationals, shall not be applied.

(2) The Federal Republic of Germany will provide for the settlement of, and for the transfer in respect of, claims referred to in the preceding paragraph but not covered by agreements with Governments of creditor countries, provided such claims are due to persons who are nationals of, or reside in, a creditor country from which payments on similar claims are transferable to persons who are nationals of, or reside in, the Federal Republic of Germany. Any laws or regulations in force in the Federal Republic of Germany with respect to social insurance, which provide for less favourable treatment for the nationals of other countries than for German nationals, shall not be applied if the creditor country concerned does not discriminate in respect of social insurance payments between its nationals and German nationals or between persons residing in that country and persons residing in the Federal Republic of Germany.

(3) Claims referred to in paragraph (1) of this Article arising from social insurance services which are due to persons who are nationals of, or reside in, a creditor country and are not settled under paragraph (1) or in accordance with paragraph (2) of this Article shall be settled pursuant to the provisions of Article 28 of Annex IV to the present Agreement.

Article 23

INSURANCE DEBTS

(1) Where, in bilateral arrangements concluded in implementation of Article 30, paragraph (1) of Annex IV to the present Agreement, provision is made for the transfer of payments or for payment in Deutschemarks of debts arising out of insurance or reinsurance contracts or agreements of any kind, or in connexion with
such contracts or agreements, such provision shall be consistent with the provisions governing the settlement of other types of debts.

(2) Where no bilateral arrangements have been concluded by 30th June, 1953, debts arising out of insurance and reinsurance contracts shall be settled pursuant to the provisions of Article 30, paragraph (2), and Article 31 respectively of Annex IV to the present Agreement. The time-limit of 30th June, 1953, may by mutual agreement be extended. The most favourable terms contained in any of the bilateral arrangements concluded under paragraph (1) of this Article for the transfer of payments or for payment in Deutschemarks of any category of debt shall be applicable to debts in the same category owed to creditors resident in countries with which bilateral arrangements will not have been concluded.

Article 24

APPLICATION OF AGREEMENT TO BERLIN

(1) Subject to the provisions of paragraph (2) (b) of Article 4 and of paragraph (5) of Article 5, the present Agreement shall apply to Berlin which shall, within the limits of its jurisdiction, implement undertakings corresponding to those of the Federal Republic of Germany under the present Agreement and the Annexes thereto.

(2) The present Agreement shall enter into force as to Berlin, on or after its entry into force in accordance with paragraph (2) of Article 35, when the Government of the Federal Republic of Germany deposits with the Government of the United Kingdom of Great Britain and Northern Ireland a statement that all legal procedures in Berlin necessary for the application of the present Agreement to Berlin have been complied with.

Article 25

ACTION ON REUNIFICATION OF GERMANY

The Parties to the present Agreement will review the present Agreement on the reunification of Germany exclusively for the purpose of—

(a) implementing the provisions of the Annexes to the present Agreement regarding adjustments to be made in respect of specific debts upon such reunification, except in so far as such provisions are to become automatically operative upon that event; and

(b) making the provisions of the present Agreement applicable to the debts of persons residing in the area reunited with the Federal Republic of Germany; and

(c) making equitable adjustments in respect of debts in the settlement of which consideration is given to the loss of or inability to use assets located in the area reunited with the Federal Republic of Germany.
Article 26
PRIOR AGREEMENTS

Nothing in the present Agreement shall be deemed to affect the validity of any Agreement, respecting the settlement of obligations, entered into by the Government of the Federal Republic of Germany before the entry into force of the present Agreement.

Article 27
TEXT OF AGREEMENT TO PREVAIL

In the event of any inconsistency between the provisions of the present Agreement and the provisions of any of the Annexes thereto, the provisions of the Agreement shall prevail.

Article 28
ARBITRAL TRIBUNAL

(1) The Arbitral Tribunal for the Agreement on German External Debts (hereinafter referred to as "the Tribunal") shall be established for the purposes hereinafter specified. The composition and organisation of the Tribunal and the rules for the exercise of its jurisdiction are contained in the Charter which is appended hereto as Annex IX.

(2) Subject to the provisions of paragraph (5) of this Article, the Tribunal shall have exclusive jurisdiction in all disputes between two or more of the Parties to the present Agreement regarding the interpretation or application of the Agreement, or the Annexes thereto, which the Parties are not able to settle by negotiation, except that any dispute respecting the interpretation or application of Article 34 of the present Agreement shall not be within the jurisdiction of the Tribunal or of any other court or tribunal. In any proceeding before the Tribunal concerning a dispute between Parties to the present Agreement, other than the Government of the Federal Republic of Germany, the said Government shall, at the request of any party to the dispute, become a party to such proceeding.

(3) The Tribunal shall have exclusive jurisdiction in proceedings concerning questions of fundamental importance for the interpretation of Annex IV to the present Agreement, referred to in the second paragraph of Article 16 of that Annex, which are submitted to it by any Party to the present Agreement. The provisions of this paragraph shall not affect the jurisdiction of the Mixed Commission as laid down in paragraph (2) of Article 31 of the present Agreement.

(4) The Tribunal shall have exclusive jurisdiction in appeals which are brought under the provisions of paragraph (7) of Article 31 of the present Agreement.

1 See p. 250 of this volume.
(5) Without prejudice to the provisions of paragraphs (3) and (4) of this Article, the Tribunal shall not have jurisdiction in any dispute which is concerned solely with the interpretation or application of an Annex to the present Agreement if an arbitral body established pursuant to such Annex is competent to decide the question of interpretation or application concerned. The foregoing provision shall not be deemed to limit the jurisdiction of the Tribunal in any dispute as to whether a decision of such an arbitral body is in conflict with any of the provisions of the present Agreement.

(6) Any Party to the present Agreement which is concerned in the subject-matter of a proceeding before the Tribunal shall be entitled to become a party to such proceeding.

(7) The Tribunal shall have power to decide questions as to its jurisdiction under the foregoing provisions of this Article.

(8) A decision of the Tribunal—

(a) in a proceeding under paragraph (2) of this Article shall be final and binding upon the parties to the dispute and upon any other Party to the present Agreement which becomes a party to the proceeding;

(b) in a proceeding under paragraph (3) of this Article shall be final and binding upon the party which submitted the question to the Tribunal and upon any other party which becomes a party to the proceeding;

(c) in an appeal under paragraph (4) of this Article shall be final and binding upon the party or parties to such appeal.

(9) The jurisdiction of the Tribunal shall not be affected by the failure of any party to a dispute to enter an appearance in the proceeding before the Tribunal.

(10) Any arbitral body, other than the Tribunal, established under the present Agreement or the Annexes thereto, shall, in reaching decisions respecting the interpretation or application of the present Agreement or the Annexes thereto, be bound by any relevant decision of the Tribunal.

(11) If any Party to the present Agreement so requests, the Tribunal shall render an advisory opinion regarding the interpretation or application of the present Agreement (except with respect to the interpretation or application of Article 34). Such advisory opinion shall not have binding effect.

Article 29

Arbitration of certain Disputes under Annex I

(1) Only Bondholders' Councils or analogous bodies, recognised by the Governments of the countries in which they are organised as representing the bondholders of such countries (hereinafter referred to as "creditors' representatives"), on the one hand, and debtors, on the other hand, shall be entitled to be parties to proceedings
before a Court of Arbitration provided for the decision of disputes falling under Section 7 (1) (g) of Annex I to the present Agreement.

(2) A Court of Arbitration described in the preceding paragraph shall, except as otherwise agreed between the parties, consist of three members appointed as follows:

(a) one member to be appointed by the debtor;

(b) one member to be appointed by the creditors’ representative concerned and, if more than one, by such creditors’ representatives jointly;

(c) a third member, to act as Chairman, to be chosen by the arbitrators appointed in accordance with sub-paragraphs (a) and (b) of this paragraph. The Chairman shall be neither a German national nor a national of a country in which a creditors’ representative, party to the proceeding, is organised.

(3) Within ninety days of the date on which one of the parties to the proceeding notifies the other party of the appointment of its arbitrator, such other party shall appoint its arbitrator. If such other party fails to appoint its arbitrator within the time prescribed, such arbitrator shall, upon the application of the party which has given notice as aforesaid, be appointed by the International Chamber of Commerce.

(4) If the two arbitrators fail, within thirty days of the date of the appointment of the arbitrator last appointed, to agree upon a Chairman, he shall, at the request of either of the two arbitrators, be appointed by the International Chamber of Commerce. The qualification as to nationality provided in paragraph (2) (c) of this Article shall apply to such appointment.

(5) In the event of any vacancy caused by the death, illness, withdrawal or failure of a member of a Court of Arbitration to carry out his duties, such vacancy shall be filled, in the same manner as the original appointment, within thirty days of the occurrence of such vacancy.

(6) A Court of Arbitration shall determine its own rules of procedure. In the absence of such determination, or in respect of matters not covered by such determination, the Arbitration Code of the International Chamber of Commerce shall apply.

(7) The decision of a Court of Arbitration as to the conversion which is the subject of the arbitration proceedings shall be binding on the parties to the proceeding as to the terms of the offer of settlement and the creditors’ representative shall recommend to the bondholders the acceptance of the offer, provided that such offer meets the other requirements laid down in Annex I to the present Agreement.
Article 30

Trustees' Position in Relation to Annex II and Arbitration Thereunder

(1) The Arbitration and Mediation Committee established pursuant to Article IX of Annex II to the present Agreement shall serve notice upon the trustee of a bonded debt to which the said Annex applies of any proceeding concerning the settlement of such debt which is pending before it. The trustee may, within twenty days after the service of such notice, become a party to such proceeding.

(2) In order to assist the trustee of a bonded debt in the discharge of any responsibilities which such trustee may have to holders of such debt, the debtor, at the time it submits to the creditors' representative any proposed offer of settlement pursuant to Article VII of Annex II to the present Agreement shall likewise submit a copy thereof to the trustee of such debt. The trustee may communicate to the debtor and to the creditors' representative any objection which it may have to the terms of the offer under negotiation, which objection shall be submitted for consideration in such negotiations.

(3) Prior to entering into any definitive agreement with the creditors' representative on the terms of the offer of settlement the debtor shall notify the trustee in writing of the terms of such offer of settlement. Within ten days after receipt of such notice the trustee shall have the right to refer to the Arbitration and Mediation Committee any objection which such trustee may have to the terms of the offer of settlement regarding any matter in respect of which, under the terms of the existing indenture, the trustee shall determine, in the exercise of its discretion, that it has responsibility to holders of such bonded debt. The Arbitration and Mediation Committee shall serve notice upon the creditors' representative and the debtor of the institution of such proceeding. The creditors' representative and the debtor may also become parties to the proceeding by entering an appearance within twenty days after the service of such notice. The jurisdiction of the Arbitration and Mediation Committee with respect to such proceeding shall not be affected by the failure of the creditors' representative or of the debtor to enter an appearance in such proceeding. If there is no reference to arbitration within the ten-day period provided for above, the debtor may enter into the proposed agreement with the creditors' representative.

(4) A decision of the Arbitration and Mediation Committee in a proceeding pursuant to paragraph (3) of this Article shall be binding upon the creditors representative and the debtor to the same extent as is provided in the second subparagraph of paragraph 1 of Article IX of Annex II to the present Agreement. In any proceeding to which a trustee becomes a party pursuant to paragraph (1) or (3) of this Article, such trustee shall have the same rights as any other party thereto.
Article 31

MIXED COMMISSION FOR QUESTIONS RESPECTING ANNEX IV

(1) The composition and organisation of the Mixed Commission provided for in Article 16 of Annex IV to the present Agreement and the rules for the exercise of its jurisdiction are contained in the Charter which is appended hereto as Annex X.¹

(2) The Mixed Commission shall have jurisdiction in—

(a) differences between a creditor and a debtor as to the interpretation of Annex IV to the present Agreement, referred to it either by a creditor and a debtor jointly, or by a creditor or a debtor whose Government states that in its opinion the question at issue is of general importance for the interpretation of the said Annex;

(b) cases referred to it under Article 16 of Annex IV to the present Agreement from a Court of Arbitration established pursuant to Article 17 of that Annex, by a Party to the present Agreement or by the said Court of Arbitration, on the ground that such cases are of fundamental importance to the interpretation of Annex IV, provided that in any case before the said Court of Arbitration which is an appeal under Article 11 of Annex IV, only the question in such case which is of fundamental importance to the interpretation of that Annex shall be referred to the Mixed Commission for decision.

(3) Any Party to the present Agreement which is concerned in the subject-matter of a proceeding before the Mixed Commission shall be entitled to become a party to such proceeding.

(4) The jurisdiction of the Mixed Commission shall not be affected by the failure of any party to a dispute to enter an appearance in the proceeding before the Mixed Commission.

(5) The Mixed Commission shall have power to decide questions as to its jurisdiction under the foregoing provisions of this Article.

(6) Subject to the provisions of paragraph (7) of this Article a decision of the Mixed Commission shall be final and binding—

(a) upon the parties to any proceeding before it;

(b) upon any party to a dispute referred to the Mixed Commission under paragraph (2) (a) of this Article;

(c) upon a Party to the present Agreement which submits a case or question for decision under paragraph (2) (b) of this Article;

(d) upon a Court of Arbitration by or from which a question is referred under paragraph (2) (b) of this Article;

¹ See p. 256 of this volume.
(e) if a term of settlement of a debt was the subject of the proceeding, in respect of such term of settlement.

(7) A Party to the present Agreement shall be entitled to appeal from a decision of the Mixed Commission to the Tribunal within thirty days of the date of the delivery of the decision on the ground that such decision concerns a matter of general or fundamental importance. The appeal shall be brought only with respect to any matter in such decision which is asserted by the appellant to be of general or fundamental importance. When the Tribunal has rendered its decision with respect to any such matter the Mixed Commission shall take any action in connexion with the proceeding giving rise to the appeal which may be necessary to give effect to such decision.

Article 32

Courts of Arbitration for Disputes under Annex IV

(1) A creditor and a debtor who, pursuant to the fifth paragraph of Article 17 of Annex IV to the present Agreement, have agreed to refer a dispute to a Court of Arbitration shall each appoint an arbitrator within thirty days of the date of such agreement. If there is more than one creditor or more than one debtor the arbitrator shall be appointed by such creditors or debtors jointly. If an arbitrator is not appointed within the above time-limit, the other parties to the dispute shall be entitled to request the International Chamber of Commerce to appoint such arbitrator. The two arbitrators shall, within thirty days from the date of the appointment of the arbitrator last appointed, choose a third arbitrator to act as Chairman. If a Chairman is not chosen within such time, either party may request the International Chamber of Commerce to make the appointment.

(2)—(a) A creditor who, pursuant to the second paragraph of Article 11 of Annex IV to the present Agreement, appeals to a Court of Arbitration, shall within thirty days of service of the decision of the German court—

(i) notify the German Court which rendered the decision of such appeal;
(ii) notify the debtor of the name of the arbitrator he has appointed to sit on the Court of Arbitration.

(b) The receipt of the notice provided in sub-paragraph (a) (i) of this paragraph shall put an end to all proceedings in German courts in respect of the decision, in so far as it relates to the debt which is the subject of the appeal and such decision to this extent shall have no effect.

(c) Within thirty days of the receipt of the notice provided in sub-paragraph (a) (ii) of this paragraph, the debtor shall notify the creditor of the name of the arbitrator he has appointed to sit on the Court of Arbitration. If the debtor does not make such notification within the time prescribed the creditor shall be entitled to request the International Chamber of Commerce to appoint such arbitrator. A third arbitrator, to act as Chairman, shall be chosen in accordance with the procedure provided in paragraph (1) of this Article.
(d) A Court of Arbitration, which is hearing an appeal under the provisions of the second paragraph of Article 11 of Annex IV to the present Agreement, shall—

(i) sit at a place within the Federal Republic of Germany, unless the parties to the proceedings agree otherwise;

(ii) apply the principles laid down in the first paragraph of Article 11 of Annex IV to the present Agreement;

(iii) conduct such proceedings as a new trial.

(e) If, in the course of any appeal to a Court of Arbitration under the provisions of the second paragraph of Article 11 of Annex IV to the present Agreement, a question is referred to the Mixed Commission under paragraph (2) (b) of Article 31 of the present Agreement, the Court of Arbitration shall forthwith suspend the proceeding in such appeal until the final decision of the Mixed Commission respecting such question has been rendered. When such decision is rendered the Court of Arbitration shall resume the proceeding and shall take any action which may be necessary to give effect to such decision.

(3) A Court of Arbitration shall, in reaching decisions respecting the interpretation of Annex IV to the present Agreement, be bound by any relevant decision of the Mixed Commission.

(4) In the event of any vacancy caused by the death, illness, withdrawal or failure of a member of a Court of Arbitration to carry out his duties, such vacancy shall be filled, in the same manner as the original appointment, within thirty days of the occurrence of such vacancy.

(5) A Court of Arbitration may determine the manner in which the costs of the proceeding, including counsel’s fees, are to be borne and, in an appeal under paragraph (2) of this Article, which party shall bear the costs of the proceeding in the German Court or how such costs should be apportioned between the parties. In the absence of such determination each party to the proceeding shall bear its own costs; the costs in the Court of Arbitration and, if applicable, the costs in the German Court, shall be borne as to the one half by the creditor or creditors and as to the other half by the debtor or debtors.

(6) A proceeding pending before a Court of Arbitration may be withdrawn only with the consent of all parties thereto.

(7) Subject to the provisions of this Article and of Article 17 of Annex IV to the present Agreement, a Court of Arbitration shall determine its own rules of procedure. In the absence of such determination, or in respect of matters not covered by such determination, the Arbitration Code of the International Chamber of Commerce shall apply.

(8) The decision of a Court of Arbitration in any proceeding shall be final and binding upon the parties thereto.
Article 33

Matters arising in Deconcentration Proceedings

Matters of which disposition is specifically made in a plan approved, or an order or regulation issued, by the Allied High Commission or any of its subordinate agencies designated by it to act with respect to such matters, or any agency succeeding to the powers of the Allied High Commission with respect thereto, under Allied High Commission Laws No. 27 (Reorganisation of German Coal and Iron and Steel Industries) and No. 35 (Dispersion of Assets of I.G. Farbenindustrie A.G.) shall not be heard by the Tribunal or by any other arbitral body established under the present Agreement and the Annexes thereto. In any such disposition the creditor and debtor, the Allied authorities and the Board of Review shall apply the provisions of the present Agreement and the Annexes thereto. Before any plan can be approved or any order or regulation issued disposing of any matter which is in dispute by reason of a question of interpretation or application of the provisions of the present Agreement or the Annexes thereto, such dispute shall be referred to and be decided by the Tribunal or other arbitral body which is competent under the present Agreement and the Annexes thereto. The competence of the Tribunal or of any other arbitral body established under the present Agreement or the Annexes thereto with respect to matters which are not specifically disposed of under a plan, order or regulation as aforesaid or which arise by reason of events subsequent to the entry into effect of such plan, order or regulation shall not be affected by the preceding provisions of this Article.

Article 34

Consultation

In the interest of the continuing and effectual carrying out of the present Agreement and the Annexes thereto to the satisfaction of all parties concerned, and without derogating from the obligations which the Federal Republic of Germany has assumed—

(a) consultations will be held between the Parties to the present Agreement principally concerned, if the Government of the Federal Republic of Germany or the Government of any of the creditor countries holding a substantial share of the debts covered by this Agreement so requests. Any Party to the present Agreement shall have the right to participate in these consultations, and if it participates it may invite representatives of the interested creditors or debtors of its country to attend;

(b) if the consultations are concerned with a situation in which the Federal Republic of Germany finds that it is faced with difficulties in carrying out its external obligations, attention shall be given to all relevant economic, financial and monetary considerations which relate to the ability to transfer of the Federal Republic of Germany, as influenced by both internal and external factors, and
which relate to the continuing fulfilment by the Federal Republic of its obligations under the present Agreement and the Annexes thereto and under the Agreements concerning post-war economic assistance. Due regard will be paid to the principles by which the Conference on German External Debts was guided, to the objectives at which it aimed and to the undertaking of the Government of the Federal Republic of Germany to do everything in its power to ensure the fulfilment of these obligations. Advice shall, if the principal consulting Parties to the present Agreement so decide, be sought from appropriate international organisations or other independent experts. A request for such advice may be made by the Federal Republic of Germany or by any of the Parties to the present Agreement principally concerned.

Article 35
ENTRY INTO FORCE

(1) Each of the Governments signatory to the present Agreement shall, after having ratified or approved the Agreement in accordance with its constitutional requirements, deposit with the Government of the United Kingdom of Great Britain and Northern Ireland an instrument of ratification or a notification that the Agreement has been approved.

(2) The present Agreement shall enter into force immediately upon the deposit by the Government of the Federal Republic of Germany and the Governments of the French Republic, the United Kingdom of Great Britain and Northern Ireland and the United States of America with the Government of the United Kingdom of Great Britain and Northern Ireland of the instrument of ratification or of the notification required under paragraph (1) of this Article. Such entry into force shall be effective as to all Governments signatory to the Agreement which have at that time deposited the required instrument of ratification or notification. The Government of the United Kingdom of Great Britain and Northern Ireland shall notify each of the Governments signatory to the Agreement of the date of its entry into force and of the Governments in respect of which it enters into force.

(3) The date of the entry into force of the present Agreement in respect of any signatory Government which deposits the required instrument of ratification or notification after the entry into force of the Agreement under the preceding paragraph shall be the date of such deposit. The Government of the United Kingdom of Great Britain and Northern Ireland shall notify the other signatory Governments, and any Government which has acceded to the present Agreement under Article 36, of such deposit and the date thereof.

Article 36
ACCESSION

(1) Any Government which has been invited by the Governments of the French Republic, the United Kingdom of Great Britain and Northern Ireland and the
United States of America, or by any of them, and by the Government of the Federal Republic of Germany to sign the present Agreement may either sign or accede thereto in accordance with the terms of its invitation. Any other Government which may, after the entry into force of the present Agreement, establish diplomatic relations with the Federal Republic of Germany, may accede thereto. Accession shall be accomplished by the deposit of an instrument of accession with the Government of the United Kingdom of Great Britain and Northern Ireland, which shall notify the other signatory and acceding Governments of such deposit and the date thereof.

(2) The present Agreement shall come into force for any acceding Government on the deposit of its instrument of accession, but not before it comes into force in accordance with Article 35.

Article 37

EXTENSION OF AGREEMENT TO CERTAIN TERRITORIES

(1) Any Government may, at the time of its signature or accession or at any time thereafter, declare by notification given to the Government of the United Kingdom of Great Britain and Northern Ireland that the present Agreement shall, as from the date specified in such notification, extend to all or any of the territories for whose international relations it is responsible.

(2) The Government of the United Kingdom of Great Britain and Northern Ireland shall inform all signatory and acceding Governments of any notification received by it under this Article.

Article 38

RESERVATIONS AND QUALIFICATIONS

(1) Any Government which deposits an instrument of ratification or a notification of approval or an instrument of accession to the present Agreement other than in accordance with the terms of its invitation or subject to any other reservation or qualification shall not be deemed to be a Party to the Agreement until such reservation or qualification has been withdrawn or has been accepted by all the Parties thereto.

(2) Any notification given under Article 37 subject to a reservation or qualification shall not take effect until such qualification or reservation has been withdrawn or has been accepted by all the Parties to the present Agreement.

In witness whereof the undersigned, having been duly authorised thereto by their respective Governments, have signed the present Agreement, to which are attached Annexes I to X inclusive.
DONE at London this twenty-seventh day of February, nineteen hundred and fifty-three, in three original texts, in the English, French and German languages respectively, all three texts being equally authoritative, which shall be deposited in the archives of the Government of the United Kingdom of Great Britain and Northern Ireland which shall transmit certified copies thereof to each signatory and acceding Government.

[NOTE.—The headings given to the Articles of the Agreement are for reference only and are not intended in any way to govern the construction of the Agreement.]
For Belgium:
Pour la Belgique:
Für Belgien:

Obert de Thieusies

For Canada:
Pour le Canada:
Für Kanada:

N. A. Robertson

For Ceylon:
Pour Ceylan:
Für Ceylon:

V. Coomaraswamy

For Denmark:
Pour le Danemark:
Für Dänemark:

E. Reventlow
Anthon Vestbirk

For the French Republic:
Pour la République Française:
Für die Französische Republik:

R. Massigli

For Greece:
Pour la Grèce:
Für Griechenland:

Leon V. Melas

For Iran:
Pour l'Iran:
Für den Iran:

For Ireland:
Pour l'Irlande:
Für Irland:

F. H. Boland
For Italy:
Pour l'Italie:
Für Italien:

For the Principality of Liechtenstein:
Pour la Principauté du Liechtenstein:
Für das Fürstentum Liechtenstein:

W. STUCKI

For Luxembourg:
Pour Luxembourg:
Für Luxemburg:

A. J. CLASEN

For Norway:
Pour la Norvège:
Für Norwegen:

P. PREBENSEN

For Pakistan:
Pour le Pakistan:
Für Pakistan:

M. A. H. ISPAHANI

For Spain:
Pour l'Espagne:
Für Spanien:

Primo DE RIVERA

For Sweden:
Pour la Suède:
Für Schweden:

Gunnar HÄGGLÖF
For the Swiss Confederation:
Pour la Confédération suisse:
Für die Schweizerische Eidgenossenschaft:

W. Stucki

For the Union of South Africa:
Pour l'Union d'Afrique du Sud:
Für die Union von Südafrika:

A. L. Geyer

For the United Kingdom of Great Britain and Northern Ireland:
Pour le Royaume-Uni de Grande-Bretagne et d'Irlande du Nord:
Für das Vereinigte Königreich von Grossbritannien und Nordirland:

George Rendel

For the United States of America:
Pour les États-Unis d'Amérique:
Für die Vereinigten Staaten von Amerika:

Warren L. Pierson

For the Federative People's Republic of Yugoslavia:
Pour la République Fédérale Populaire de Yougoslavie:
Für die Föderative Volksrepublik Jugoslawien:

Jakša Petrić

For the Federal Republic of Germany:
Pour la République Fédérale d'Allemagne:
Für die Bundesrepublik Deutschland:

Abs
AGREED RECOMMENDATIONS FOR THE SETTLEMENT OF REICH DEBTS
AND DEBTS OF OTHER PUBLIC AUTHORITIES

A.—DEBTS OF THE REICH

The Government of the Federal Republic of Germany (hereafter referred to as the Federal Government) will undertake to offer to the Bondholders to pay and transfer the following amounts:

1. The 7 per cent. External (Dawes) Loan 1924
   
   (a) As on the first coupon date following 31st March, 1953, interest at 5 1/2 per cent. per annum on the American Issue and 5 per cent. per annum on the other Issues.
   
   (b) As on the first coupon date following 31st March, 1958, a sinking fund of 3 per cent. per annum on the American Issue and 2 per cent. per annum on the other Issues shall be added to the above interest payments and constitute with them a cumulative annuity.
   
   (c) The maturity date shall be extended to the year 1969.
   
   (d) Arrears of interest outstanding shall be recalculated at 5 per cent. simple interest, and in respect of the resulting total the Federal Government will issue 20-year Bonds carrying 3 per cent. per annum interest and after 5 years 2 per cent. sinking fund. On Bonds for so much as represents arrears due to 31st December, 1944, payment will be made as from 15th April, 1953; Bonds for the balance will not be issued until the unification of Germany when payment on these Bonds will begin.
   
   (e) In all respects other than those indicated above, the terms of the original Loan contracts shall be maintained.
   
   (f) All expenses incidental to carrying out the above modifications of the original contracts shall be borne by the Government of the Federal Republic.

2. The 5 1/2 per cent. International (Young) Loan 1930
   
   (a) As on the first coupon date following 31st March, 1953, interest at 5 per cent. per annum on the American Issue and 4 1/2 per cent. per annum on the other Issues.
   
   (b) As on the coupon date following 31st March, 1958, a sinking fund of 1 per cent. per annum shall be added to the above interest payments and constitute with them a cumulative annuity.
   
   (c) The maturity date shall be extended to the year 1980.
   
   (d) Arrears of interest outstanding shall be recalculated at 4 1/2 per cent. simple interest and in respect of the resulting total the Federal Government will issue 20-year
Bonds carrying 3 per cent. per annum interest and after 5 years 1 per cent. sinking fund. On Bonds for so much as represents arrears due to 31st December, 1944, payment will be made as from 15th April, 1953 (1). Bonds for the balance will not be issued until the unification of Germany, when payment on these Bonds will begin.

(e) The amounts due in respect of the various issues of the 5 1/2 per cent. International Loan 1930 are payable only in the currency of the country in which the issue was made. In view of the present economic and financial position in Germany, it is agreed that the basis for calculating the amount of currency so payable shall be the amount in U. S. Dollars to which the payment due in the currency of the country in which the issue was made would have been equivalent at the rates of exchange ruling when the Loan was issued. The nominal amount in U. S. Dollars so arrived at will then be reconverted into the respective currencies at the rate of exchange current on 1st August, 1952.

Should the rates of exchange ruling any of the currencies of issue on 1st August, 1952, alter thereafter by 5 per cent. or more, the instalments due after that date, while still being made in the currency of the country of issue, shall be calculated on the basis of the least depreciated currency (in relation to the rate of exchange current on 1st August, 1952) reconverted into the currency of issue at the rate of exchange current when the payment in question becomes due.

(f) In all respects other than those indicated above, the terms of the original Loan contracts shall be maintained.

(g) All expenses incidental to carrying out the above modifications of the original contracts shall be borne by the Government of the Federal Republic.

3. The 6 per cent. External (Match) Loan 1930

(a) As on the first coupon date following 31st March, 1953, interest at 4 per cent. per annum.

(b) As on the first coupon date following 31st March, 1958, a sinking fund of 1 1/4 per cent. shall be added to the above interest payments and constitute with them a cumulative annuity.

(c) Arrears of interest to be recalculated at 4 per cent. simple interest but otherwise to receive the same treatment as the arrears in respect of the Young Loan.

(d) The maturity date shall be extended to the year 1994.

(e) As long as the service of the Match Loan is effected according to the provisions of this Settlement Plan, the payment for interest and amortisation of the Loan will be made at the office of the Skandinaviska Banken in Stockholm, Sweden, in Swedish Kronor equivalent to the amount due in U. S. Dollars at the rate of exchange on the due date.

(f) In all other respects other than collateral the Match Loan shall have the same treatment as the Young Loan.

(1) It has now been agreed that the second sentence of paragraph 2 (d) shall read as follows: "On bonds for so much as represents arrears due to 31st December, 1944, payment of a first coupon representing six months' interest will be made on 1st June, 1953."
4. **Konversionskasse Bonds**

The Federal Government will undertake to make the following payments in respect of Konversionskasse Bonds and Scrip:

(a) As on the first coupon or interest date following after 31st March, 1953, interest at the original contractual rates;

(b) as on the first coupon date following after 31st March, 1958, a sinking fund of 2 per cent. per annum shall be added to the above interest payments and constitute with them a cumulative annuity;

(c) the maturity dates of these bonds shall be extended by 17 years from the existing maturity dates;

(d) two-thirds of the arrears of interest calculated at the contractual rates shall be waived. The remaining one-third shall be funded and carry the same interest and sinking fund as the original Bonds;

(e) in all other respects the original contracts of these Bonds shall be maintained;

(f) all expenses incidental to carrying out the above modifications of the original contracts will be borne by the Federal Government;

(g) Reichsmark Bonds and Scrip will be converted into Deutsche Mark at the rate of 10 : 1.

5. Certain small liabilities of the Reichsbahn and the Reichspost in foreign currencies other than those covered by Annex IV will be the subject of negotiation between the Federal Government and the creditors.

6. **Debts in Reichsmarks of the Reich, the Reichsbahn, the Reichspost and the State of Prussia**

In response to the request of the creditors’ representatives the Federal Government will undertake—

(a) to extend at their request and in application of the principle of national treatment to foreign creditors the benefit of the advantages and compensations which have been or may ultimately be granted in connection with the monetary reform to German creditors;

(b) to extend to foreign creditors at the time of the enactment of any future German law relative to the conversion and settlement of debts the benefit of the most favourable treatment provided by this law for German creditors;

(c) if the law mentioned in paragraph (b) above is not promulgated before 1st January, 1954, or does not cover all categories of debts, to open before 1st April, 1954, negotiations with the foreign creditors’ representatives in course of which these representatives reserve the right to ask for a special settlement of these debts.

The present undertaking applies to all Reichsmark debts of the Reich, the Reichsbahn and the Reichspost whether represented by Bonds (Treasury Bills, obligations of the Ablösungsanleihen, &c.) or not so represented;

(d) The Federal Government further undertakes to extend the same treatment to the future service of the Reichsmark liabilities of the State of Prussia.
B.—EXTERNAL BONDS ISSUED OR GUARANTEED BY THE STATES (LÄNDER), MUNICIPALITIES AND SIMILAR PUBLIC BODIES WITHIN THE TERRITORY OF THE FEDERAL REPUBLIC OF GERMANY

7. The respective debtors shall pay to be transferred by the Federal Government the following amounts:

(1) **Bonds other than those of the State of Prussia**

(a) As on the first coupon date following after 31st March, 1953, 75 per cent. of the original contractual interest (subject to a minimum of 4 per cent. per annum and a maximum of 5 1/2 per cent. per annum) or the rate specified in the original contract if less than 4 per cent. per annum;

(b) interest at the same rates on two-thirds of any arrears of interest (other than interest already covered by Konversionskasse Bonds or similar agreed arrangements); these arrears shall be funded;

(c) as on the first coupon dates following after 31st March, 1958, a sinking fund of 1 per cent. per annum, to be increased on 31st March, 1963, to 2 per cent. in the case of loans maturing in 1968 or after shall be added to the above interest payments and constitute with them a cumulative annuity;

(d) the maturity dates of these Loans shall be extended by 20 years from the existing maturity dates;

(e) in respects other than those indicated above, the terms of the original loan contracts shall be maintained unless otherwise agreed by the creditor in special circumstances. Where exceptional circumstances peculiar to a particular debtor are such as to satisfy the creditors' representatives that it is impracticable for that debtor to conform to the general arrangement, such adjustment as may seem necessary shall be made by agreement between the debtor and the creditors' representatives.

(f) Bonds issued and payable outside of the territory of the Federal Republic denominated in Reichsmark shall be converted, at the rate of 10 : 1, into Deutsche Mark. They will carry interest at the original contractual rate. Arrears of interest shall be funded on the same basis and shall carry the same rate of interest. The bonds shall be extended for a period of 15 years after the maturity date, and will be redeemable in equal annuities, the first being due on the first coupon maturity date in 1958. Interest and redemption moneys will be transferred in the currency of the country where the bondholder has his residence.

(g) Reference to an "original contract" or to an "original contractual interest" shall be read as reference to the contract or the relative contractual interest subsisting between creditor and debtor at the time when the borrowing was first made or the obligation was first incurred, unless a conversion (herein called an "effective conversion") was made before 9th June, 1933, or was made on or after that date on account of the insolvency or threatened insolvency of the debtor or as a result of free negotiation; provided that—

(i) in disputed cases the decision shall lie with a Court of Arbitration where the burden shall be on the debtor to prove that the arrangement was freely negotiated, and
(ii) arrangements made where the German Custodian of Enemy Property or a person appointed by a German authority in an occupied territory represented the creditors or resulting from mere acceptance by the creditor of a unilateral offer made by the debtor shall be presumed not to have been freely negotiated.

In calculating future interest and arrears of interest under the general formula, the original contractual rate shall apply. Where, however, an effective conversion has taken place the converted rate of interest shall apply; provided that in such case the converted rate shall not be subject to any reduction either as to arrears of interest or as to future interest, unless the debtor prefers calculation on the basis of the original contractual rate under the general formula.

(h) All expenses incidental to carrying out the above modifications of the original contracts shall be borne by the debtors.

(i) Where the remaining capital amount of the total of all bond issues in foreign currency of a particular debtor is small, the debtor may offer an earlier repayment and final settlement of the entire amount of such indebtedness and arrears of interest without regard to the limitations and provisions under (d) above relative to the prolongation of the indebtedness.

(j) All corporate obligations guaranteed by a State, city, municipality or other governmental body shall be settled in accordance with "Agreed Recommendations for the Settlement of Medium and Long-Term German Debts resulting from private capital transactions" (Annex II) provided that such guarantees shall continue in force in accordance with its terms. (*)

(2) Bonds of the State of Prussia

The Federal Government, on behalf of the several Länder which succeeded to territory and assets formerly belonging to the State of Prussia, shall make payments as follows:

(a) As to External Sinking Fund 6 1/2 per cent. Dollar Bonds of 15th September, 1926, due 15th September, 1951, and External Sinking Fund 6 per cent. Dollar Bonds of 15th October, 1927, due 15th October, 1952:

(i) The Federal Government will issue new dollar bonds bearing first coupon dated 1st April, 1953, and maturing in twenty years, in the same denominations as the outstanding bonds of the above issues bearing interest at the rate of 4 per cent., payable semi-annually on 1st April and 1st October. On 1st April, 1958, a sinking fund of 1 per cent. per annum shall be added to the above interest rate and constitute with it a cumulative annuity. The debtor may call bonds by lot at par or may purchase bonds in the open market or otherwise and may provide additional amortisation as long as the service is maintained in accordance with the Contract.

(ii) Outstanding coupons on the old issues bearing dates from 15th March, 1933, to 31st December, 1936, will be extended for a period of twenty years, and upon such

(*) See Annex VII.
extended maturity 50 per cent. of the amount thereof shall be paid in United States dollars on the corresponding dates in 1953, 1954, 1955 and 1956.

(iii) Coupons maturing on or after 1st January, 1937, shall receive no payment until such time as territories formerly belonging to the State of Prussia and now outside the territory of the Federal Republic shall be joined to the Federal Republic, at which time payment shall be the subject of negotiation.

(iv) All expenses incidental to carrying out the above shall be borne by the Federal Government.

(b) As to the 4 1/2 per cent. Swedish Crown Bonds of the Lübeck State Loan of 1923, taken over by the State of Prussia in 1938:

The outstanding bonds of this loan, for which notice of repayment was given for 1st May-1st November, 1944, will be redeemed upon presentation at the current rate of exchange, subject to a discount of 50 per cent. of the nominal amount and without payment of any arrears of interest.

3) Non-Bonded Indebtedness (other than that covered by Annex IV)

The terms of paragraphe 7 (1) will apply, mutatis mutandis, service starting from 1st January, 1953. In the settlement of Mark claims regard will be had to the relevant provisions of Annex IV to the Agreement on German External Debts.

C.—GENERAL PROVISIONS

8. Procedure for carrying out these proposals

(a) The terms of the proposals may be enfaced on existing bonds or new bonds issued in exchange for existing bonds, and new bonds or fractional scrip issued for arrears of interest, depending upon the convenience and custom prevailing in the several markets in which the bonds were originally issued. Such enfaced bonds or new bonds will conform to prevailing market practice. The debtors at their own expense will employ suitable banking institutions for the purposes of carrying out the details of the proposal. The debtors at their own expense will meet all requirements of governmental authorities and securities markets in order to ensure maximum marketability.

Term of Offer

(b) The offer will be made in the respective countries as may be agreed with Bondholders' Councils or analogous bodies and shall remain open for acceptance by the bondholders for at least five years. The debtors shall extend the offer for a further period for a reasonable cause.

Reservation of Rights

(c) If any debtor fails to fulfil the obligation undertaken under the present Agreement the creditors shall be entitled to revert to their original contractual rights.

Paying Agents' and Trustees' Expenses

(d) Paying Agents' commissions and expenses and Trustees' fees and expenses for the future will be paid and transferred.
Other Expenses

(e) The creditors' representatives reserve the right to obtain payment from the respective debtors of all expenses incurred by them in connection with the London Conference, and the making of an offer hereunder shall be deemed an acceptance by the debtor of this Clause. Nothing herein contained shall preclude any creditors' representative from making and collecting such reasonable additional charge as it may deem appropriate from the bondholders or creditors in accordance with established practice or otherwise.

Validation

(f) The Federal Government undertakes to do all in its power in order to establish, on the basis of the German Validation Law passed by its Parliament and about to be enacted, an appropriate procedure for the validation of German foreign currency bonds, which procedure shall be effective in the several creditor countries as soon as possible but not later than on 1st February, 1953.

Payment on bonds or coupons which require validation under the German validation procedure shall not be made until such bonds or coupons shall have been validated pursuant thereto.

9. The Bondholders' Councils concerned or analogous bodies will recommend these terms to the acceptance of their Bondholders.

D.—Claims Arising Out of Awards of Mixed Claims Tribunals

10. Mixed Claims Bonds

The German Delegation on External Debts, on the one hand, and the representatives of the American Awardholder Committee Concerning Mixed Claims Bonds on the other hand, have agreed as follows:

The Federal Republic of Germany will propose to the Government of the United States of America and the Awardholders' Committee will recommend to the Government of the United States and to the individual awardholders the settlement on the following terms of the obligation of the Federal Republic of Germany to the United States on behalf of private United States nationals for whose benefit Mixed Claims Bonds were issued by Germany in 1930 and which bonds are in default:

(1) The payment by the Federal Republic on 1st April, 1953, and on 1st April of each succeeding year during the periods described of the following amounts:

<table>
<thead>
<tr>
<th>Period</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>For each of the first five years</td>
<td>$3,000,000</td>
</tr>
<tr>
<td>For each of the next five years</td>
<td>$3,700,000</td>
</tr>
<tr>
<td>For each of the next sixteen years</td>
<td>$4,000,000</td>
</tr>
</tbody>
</table>

Payment will be made in United States currency dollars to the United States for distribution to the awardholders.
(2) Any instalment not paid when due will bear interest at $3.75$ per cent. from due date to date of payment.

(3) Bonds denominated in dollars and maturing in the amounts and on the dates of the payments will be issued in evidence of the obligations of the Federal Republic, and upon issuance a proportionate number of old Mixed Claims Bonds will be cancelled and returned to the Federal Republic.

(4) The terms of the settlement will be embodied in a bilateral agreement between the Federal Republic and the United States.

(5) Full performance of this Agreement by the Federal Republic and by any successor Government and payment of the amounts due under this Agreement shall constitute fulfilment by the Federal Republic and by any successor Government and full discharge of each of them of their respective obligations under the Agreement of 23rd June, 1930, and Bonds issued pursuant thereto in respect of awards of the Mixed Claims Commission, United States and Germany made on behalf of nationals of the United States, anything in the exchange of letters of 23rd October, 1950, and 6th March, 1951, between Chancellor Adenauer and the Allied High Commissioners for Germany or in the memorandum of December 1951 prepared by the Tripartite Commission to the contrary notwithstanding.

11. **Graeco-German Arbitral Tribunal Claims**

A preliminary exchange of views has taken place between the Greek and German Delegations in regard to claims held by private persons arising out of decisions of the Mixed Graeco-German Arbitral Tribunal established after the First World War. This will be followed by further discussions, the result of which, if approved, should be covered in the Intergovernmental Agreement.

**E.—Miscellaneous**

The following settlements are recommended:

12. **Lee Higginson Credit**

(a) Participants to receive new two-year Notes of the Federal Government for full principal amount of their respective participations. (Two-year Notes, as original period of the credit when granted in 1930 was two years.)

(b) No back interest.

(c) No Gold clause.

(d) New Notes to bear interest from effective date of agreement at rate of $3.75$ per cent. per annum payable in advance monthly.

(e) Collateral fund to be reconstituted in form of a Deutsche Mark deposit in the Bank deutscher Länder, in the name of the German Federal Debt Administration as Trustee; such fund to be calculated to be the equivalent of the notes in Deutsche Marks at official rates of exchange, and to be built up by the Federal Republic in 24 equal monthly instalments from date of the Notes.

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Participants to be entitled to receive prepayment of the whole or part of their notes, if they wish, in Deutsche Marks converted at official rate and to constitute full discharge of dollar or sterling obligation pro tanto; such payment to be made at participants' option as and when German laws and regulations so permit. Any such payment to be made out of the collateral fund to the extent the participants' proportionate interest in the collateral so permits, any balance to be paid in Deutsche Marks directly by the Federal Government.

13. **Bank for International Settlements Credits**

   (a) The Federal Government will pay to the Bank for International Settlements as from 1st January, 1953, in respect of current interest on the claims of the Bank an annual sum of 5,600,000 Swiss francs.

   (b) In consideration of the payment of this annuity the Bank has agreed to maintain its credits at their present level until 31st March, 1966. It has also agreed to postpone until that date the settlement of arrears of interest.

   [For the full text of this Arrangement see Sub-Annex A.]

14. **Konversionskasse Receipts**

   (a) The Federal Government agrees to assume liability for full payment in the due currencies to the foreign creditors of the sums paid into the Konversionskasse by debtors in the Saar in respect of which the foreign creditors have not received foreign exchange payments or been otherwise satisfied.

   (b) The Federal Government agrees to assume liability for payment in the due currencies to the foreign creditors of 60 per cent. of the sums paid into the Konversionskasse by debtors in Austria, France, Belgium and Luxemburg in respect of which the foreign creditors have not received foreign exchange payments or been otherwise satisfied.

   (c) The Federal Government will negotiate with the foreign creditors representatives before the end of December 1952 as regards the implementation of these undertakings.

15. **Liability in respect of Austrian Governmental Debts**

   The creditors have been unable to arrive at a settlement on this question, which will be the subject of further negotiations at an early date.

16. **Agreement between Belgium and the Federal Republic of Germany**(1)

   A draft Agreement between Belgium and the Federal Republic of Germany was reached on 4th August, 1952.

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(1) See Sub-Annex B.

1 See p. 116 of this volume.
SUB-ANNEX A TO ANNEX I

ARRANGEMENT BETWEEN THE FEDERAL REPUBLIC OF GERMANY AND THE BANK FOR INTERNATIONAL SETTLEMENTS(1)

THE GOVERNMENT OF THE FEDERAL REPUBLIC OF GERMANY,
represented by the Federal Ministers of Finance and for Economy, these latter being represented by Herr Hermann J. Abs, and

THE BANK FOR INTERNATIONAL SETTLEMENTS, BASLE,
represented by Monsieur Roger Auboin, General Manager and Alternate of the President,
make the following contract with regard to the present investments of the Bank for International Settlements in Germany:

1. The Government of the Federal Republic of Germany will pay to the Bank for International Settlements as from 1st January, 1953, to 31st March, 1966, an annual sum of Swiss francs 5,600,000 by quarterly payments falling due at the expiration of each quarter on 1st April, 1st July, 1st October and 2nd January.

2. These payments will satisfy all claims to current interest, including interest on arrears of interest, which the Bank for International Settlements possesses as a result of its present investments in Germany.

3. The payments will be made for account of those concerned. If and in so far as the Bank for International Settlements possesses claims to interest arising out of its present investments in Germany against persons or entities other than the Federal Republic of Germany, these claims to interest will pass to the Federal Republic of Germany at the time of the payments made under paragraph 1 above.

4. Subject to the above-mentioned provisions, the existing legal position will in no way be changed by the present provisional settlement. In particular, the rights and obligations of the Federal Republic of Germany with regard to the investments of the Bank for International Settlements in Germany will not thereby be extended.

5. In consideration of the payments provided for in paragraph 1, the Bank for International Settlements will not, prior to 1st April, 1966, demand the reimbursement of the principal of its investments in Germany or the payment of arrears of interest.

6. It is mutually recognised that this contract shall form an integral part of the London Agreement on German External Debts and the Annexes thereto and shall come into force at the same time as that Agreement.

7. This contract has been done in two original copies, of which one will be held by the Federal Ministry of Finance in Bonn and the other by the Bank for International Settlements in Basle.

Basle, 9th January, 1953

ABS

R. AUBOIN
General Manager
Alternate of the President

(1) The text of this Agreement replaces the text of the draft Agreement given in Annex A to Appendix 3 to the Conference Report.
SUB-ANNEX B TO ANNEX I

AGREEMENT \(^1\) BETWEEN BELGIUM AND THE FEDERAL REPUBLIC OF GERMANY\(^{(2)}\)

Agreement between Belgium and the Federal Republic of Germany on the Settlement of Belgian Claims arising out of the Annuities provided for in the German/Belgian Agreement of 13th July, 1929.\(^2\)

Belgium, of the one part, and the Federal Republic of Germany, of the other part, have agreed, as a result of negotiations which took place at London during the International Conference on German External Debts, to conclude the following Agreement:

**Article 1**

The Government of the Federal Republic of Germany recognises that a sum amounting to .......................... 107,856,835.65

was on 10th May, 1940, placed to the credit of the Belgian Government in respect of the annuities provided for in the German/Belgian Agreement of 13th July, 1929, and paid into the Konversionskasse up to 15th November, 1939.

On the other hand, the following were not paid into the Konversionskasse and are still owing to the Belgian Government:

(a) the monthly portions of annuities due between 15th December, 1939, and 10th May, 1940, namely .................. 10,833,333.33

(b) the monthly portions of annuities due between 10th May, 1940, and 8th May, 1945, namely .................. 105,908,333.34

**Total** 224,598,502.32

**Article 2**

Being willing to compromise on the settlement of the above-mentioned debt, the Government of the Federal Republic undertakes to pay, and the Belgian Government undertakes to accept, a lump sum equal to forty (40) million Deutsche Mark, payable in fifteen (15) annual instalments falling due on 1st July of each of the years 1953 to 1967, namely:

- 5 annuities, from 1953 to 1957, amounting to DM. 2 million each;
- 10 annuities, from 1958 to 1967, amounting to DM. 3 million each.

The Belgian Government agrees to accept the above payments in final and definitive settlement of the Belgian claims concerned up to 8th May, 1945.

\(^{(2)}\) The text of this Agreement replaces the text of the draft Agreement given in Annex B to Appendix 3 to the Conference Report.


Article 3

Each of the above-mentioned annuities shall be represented by a bond of the Federal Republic, expressed in Deutsche Mark, and shall be transferred in Belgian currency at the mean official rate of the Bank deutscher Länder in operation on the day before the bond becomes due.

The bonds shall be delivered to the Belgian Government on 1st April, 1953, at the latest.

Article 4

Any bond not paid at the date when it becomes due shall bear interest at the rate of 3 per cent. per annum for the benefit of the Belgian Government.

Article 5

The present Agreement will be ratified. The instruments of ratification will be exchanged at Brussels.

The Agreement will enter into force upon the exchange of the instruments of ratification.

Article 6

The present Agreement is drawn up in the French and German languages, the two texts being equally authoritative.

In witness whereof the undersigned plenipotentiaries, having been duly authorised thereto, have appended their signatures to the present Agreement.

Done at Bonn on the 23rd day of December, 1952, in two original texts in the French and German languages.

For Belgium: F. Muuls

For the Federal Republic of Germany: Abs

SUB-ANNEX C TO ANNEX I
EXCHANGE OF BONDS OF THE PRUSSIAN EXTERNAL LOANS
OF 1926 AND 1927
GERMAN DELEGATION FOR EXTERNAL DEBTS

243-18 Del. 38-2151/52.

To the Chairman of the Tripartite Commission
on German Debts
London, S.W. 1

Exchange of Bonds of the Prussian External Loans of 1926 and 1927

London, 20th November, 1952

Mr. Chairman,

With reference to the exchange of letters between the Federal Chancellor and the Allied High Commissioners for Germany of 6th March, 1951,¹ I confirm that the declara-

¹ See p. 264 of this volume.
tion of the German Delegation made at the London Debt Conference on 12th March, 1952, concerning the readiness of the Federal Republic of Germany to assume responsibility towards the creditors for the 6\(1/\) per cent. Prussian External Loan of 1926 and the 6 per cent. Prussian External Loan of 1927 has the meaning and effect that the Prussian Loan debts are to be treated as liabilities of the German Reich within the meaning of the exchange of letters of 6th March, 1951, for which the Federal Republic is responsible. With regard to this declaration of the German Delegation, the legislative body of the Federal Republic of Germany has included the following provision in the Validation Law for German External Bonds of 25th August, 1952—Bundesgesetzblatt I No. 35, page 553:

"Paragraph 74"

FOREIGN CURRENCY BONDS OF THE GERMAN REICH
AND OF THE FORMER LAND PRUSSIA,

"(1) For the purpose of this Law, the German Federal Republic shall be deemed to be the issuer of the foreign currency bonds issued by the former Land Prussia, as long as no other provision is made."

Please accept, Mr. Chairman, the expression of my highest esteem,

Hermann J. Abs

SUB-ANNEX D TO ANNEX I

AGREEMENT ON THE CONVERSION AND SETTLEMENT OF THE FOREIGN GOLDMARK BONDS OF GERMAN MUNICIPALITIES

The Chairman
Tripartite Commission for German External Debts
S.W. 1.
29 CHESHAM PLACE, S.W. 1
19th November, 1952

Mr. Chairman,

We have the honour to inform you that the German Delegation for Foreign Debts and the British Committee of Long-term and Medium-term Creditors of Germany have agreed on the conversion and settlement of the foreign goldmark bonds of German Municipalities in the following terms:

(1) It is agreed that the conversion and settlement of the service of the Reichsmark bonds issued and payable abroad, provided in paragraph 7 (1) (j) of Appendix 3 of the Report of the Debt Conference, do not refer to the loans of Municipalities in Federal Germany expressed in goldmarks or in Reichsmarks with a gold clause.

(2) The principle is agreed that bonds of those goldmark loans or Reichsmark loans with a gold clause of German Municipalities in Federal Germany, which have a specific foreign character, shall be converted into Deutschemarks on the basis of 1 goldmark or 1 Reichsmark with a gold clause = 1 Deutschemark. The determination of the characteristics which denote a specific foreign character of such bonds shall comply with the regulations resulting from the discussions which are foreseen in the reser-
vations contained in Article V, paragraph 3, of Appendix 4, and in Article 6 of Appendix 6, of the Report of the Debt Conference.

(3) The liabilities of the German Municipalities in Federal Germany arising out of such goldmark bonds or Reichsmark bonds with a gold clause which have a specific foreign character, shall be settled in accordance with the recommendations of paragraph 7, section (1), (a) to (e) and (g) to (j) of Appendix 3 of the Report of the Conference referring to external bonds issued or guaranteed by the States (Länder), Municipalities and similar public bodies, within the territory of the Federal Republic of Germany.

We would ask you to approve our agreement as set forth above, and to attach the text of this letter as sub-annex to Annex No. I of the Debt Agreement.

Accept, Mr. Chairman, the assurance of our highest esteem,

Hermann J. Abs
Head of the German Delegation for External Debts

O. Niemeyer
Chairman of Negotiating Committee "A" at the Conference on German External Debts

SUB-ANNEX E TO ANNEX I

AGREEMENT ON THE SETTLEMENT OF THE LIABILITIES OF THE "KONVERSIONSKASSE FÜR DEUTSCHE AUSLANDSSCHULDEN" RESULTING FROM PAYMENTS MADE BY DEBTORS IN THE SAAR TERRITORY AND IN AUSTRIA, FRANCE, LUXEMBOURG AND BELGIUM

GERMAN DELEGATION FOR EXTERNAL DEBTS

243-18 Del. 38-1934/52

To Sir Otto Niemeyer
c/o Council of Foreign Bondholders
London, E.C. 2

London, 14th November, 1952

Dear Sir Otto,

I have the honour to summarise the agreement reached in our discussions on 20th October and 14th November, 1952, as follows:

With regard to the implementation of the obligation assumed under the terms of paragraph 14 of Appendix 3 to the Final Report of the Conference, the Government of the Federal Republic of Germany is prepared to settle the liabilities of the Konversionskasse für Deutsche Auslandsschulden resulting from payments made by debtors in the Saar territory and in Austria, France, Luxembourg and Belgium to the extent that the creditors have neither received payments in non-German currency nor been otherwise satisfied, in the following manner:

I.—BONDED DEBTS

1. Arrears of Interest

Redemption of the coupons to be presented will be made with respect to payments effected by debtors—
(a) from the Saar territory, in full; and from France, Luxembourg and Belgium, at the rate of 60 per cent. of the debtors' payments; redemption to be made in the years 1953 to 1957 by paying—

- coupons matured until the end of 1941, on the first coupon date following 31st March, 1953;
- coupons matured in 1942, on the first coupon date following 31st March 1954;
- coupons matured in 1943, on the first coupon date following 31st March, 1955;
- coupons matured in 1944, on the first coupon date following 31st March, 1956;
- coupons matured in 1945, on the first coupon date following 31st March, 1957;

(b) from Austria, at the rate of 60 per cent. of the debtors' payment; redemption to be made in the years 1953 to 1957 by paying—

- coupons matured in 1938, on the first coupon date following 31st March, 1953;
- coupons matured between 1st January, 1939, and 30th June, 1940, on the first coupon date following 31st March, 1954;
- coupons matured between 1st July, 1940, and 31st December, 1941, on the first coupon date following 31st March, 1955;
- coupons matured between 1st January, 1942, and 30th June, 1943, on the first coupon date following 31st March, 1956;
- coupons matured between 1st July, 1943, and 8th May, 1945, on the first coupon date following 31st March, 1957.

2. Amortisations

Amortisation of the total amount to be established will be made either by acquisition of bonds or by payment in cash with respect to payments effected by debtors—

(a) from the Saar territory, in full;

(b) from Austria, France, Luxembourg and Belgium at the rate of 60 per cent. of the debtors' payments;

in five equal annual instalments, starting on 1st July, 1953, and thereafter on 1st July of each of the following four years.

Should the Government of the Federal Republic of Germany be unable to obtain by 1st July, 1953, an overall survey of the total amount of amortisations to be made, it may begin payments not later than three months after that date.

II.—Other Debts

Payment to be made in cash, the principles of Part I above applying mutatis mutandis, in five equal instalments, starting on 1st July, 1953, and thereafter on 1st July of each of the following four years.
Should the Government of the Federal Republic of Germany be unable to obtain by 1st July, 1953, an overall survey of the total amount to be paid, it may begin payments not later than six months after that date.

For the purpose of ascertaining the total amount of liabilities in question, the Government of the Federal Republic of Germany will by public notice request the creditors and the debtors to notify the Konversionskasse für Deutsche Auslandsschulden of any claims not settled and of any payments made to the Konversionskasse respectively, and to submit to the Konversionskasse any existing documents substantiating such notification. The Konversionskasse für Deutsche Auslandsschulden in Berlin will be instructed to register liabilities due for consideration.

III.—SMALL AMOUNTS

The Government of the Federal Republic of Germany may at its discretion effect payments for very small amounts in respect of bonded debts or other debts within a shorter period.

I should be much obliged if you would confirm that the foregoing proposal is a correct statement of the agreement reached by us and can, therefore, form the subject of the envisaged exchange of letters.

Please accept, Sir, the expression of my highest esteem.

Yours very sincerely,

COUNCIL OF FOREIGN BONDHOLDERS
LONDON, E.C. 2

18th November, 1952

Dear Mr. Abs,

I have to thank you for your letter of the 14th November with regard to the settlement of the Konversionskasse Receipts referred to in paragraph 14 (c) of the Report of the Committee A. (*)

It is my understanding that the words at the top of page 2(*) should read "bis zum Ende des Jahres 1941" and that "am ersten auf den 31. März folgenden Kupontermin" means the first coupon date following the 31st March.

Subject to this, I am in agreement with the terms of your letter.

Yours sincerely,

O. E. NIEMEYER
Chairman of Negotiating Committee A
at the Conference on German External Debts

Mr. Hermann J. Abs

(*) Appendix 3 to the Conference Report (Annex I to the Agreement).
(†) Section I, 1 (a), first sub-paragraph.
ANNEX II

Note: The text reproduced hereunder is the text of Appendix 4 to the Report of the Conference on German External Debts with such changes as were required to achieve uniformity in the three languages. Supplementary understandings reached by the parties with respect to this Annex after the close of the Conference are attached hereto as a Sub-Annex.}

AGREED RECOMMENDATIONS FOR THE SETTLEMENT OF MEDIUM AND LONG-TERM GERMAN DEBTS RESULTING FROM PRIVATE CAPITAL TRANSACTIONS

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VI. Procedure for Negotiation of New Contracts.
VII. Creditor Representation.
VIII. Arbitration and Mediation Committee.
IX. Expenses of Creditors, Creditor Representatives and Others.
X. Entry into Force.

INTRODUCTORY

This Agreement establishes terms and procedures which are to govern the settlement of the debts described in Article III below. The Agreement does not in itself modify the terms of the debts to which it applies. Rather, it is contemplated that new contracts will be entered into between each debtor and his creditors pursuant to the provisions of this Agreement. The new contracts shall retain the terms of the existing contracts unless modified by arrangements between creditor and debtor within the framework of this Agreement.

1 See p. 150 of this volume.
Article II

DEFINITIONS

Wherever used in this Agreement, the following terms shall, unless the context requires otherwise, have the meanings indicated below:

Original contract—the contract entered into at the time the loan was first made.

Existing contract—the original contract, except in the case of a contract which has been the subject of an effective conversion or conversions, in which case the existing contract is the contract resulting from the last effective conversion.

Effective conversion—a change made in the terms of a loan contract before 9th June, 1933, or made on or after that date on account of the insolvency or threatened insolvency of the debtor or as a result of free negotiation; provided that

(a) in any dispute as to whether or not a change was freely negotiated it shall be presumed that any arrangement made where the German Custodian of Enemy Property represented the creditor, or which resulted from the mere acceptance by the creditor of a unilateral offer made by the debtor, was not freely negotiated;

(b) in any disputed case the burden shall be on the debtor to prove that the conversion was an effective conversion;

(c) in the case of Church loans, any conversion shall be considered effective.

Creditor—includes any creditors’ representative designated pursuant to the provisions of Article VIII of this Agreement.

Germany—all territory within the German Reich on 1st January, 1937.

Resident in—having ordinary residence (mit gewöhnlichem Aufenthalt oder Sitz) in; a juridical person shall be deemed to have its ordinary residence in the Federal Republic of Germany or Berlin (West) if it is entered in the Commercial Register in that territory.

Article III

DEBTS COVERED

1. The present Agreement applies to every bonded loan and to every non-bonded loan issued or raised outside Germany, if—

(a) the loan was made prior to 8th May, 1945; and

(b) under the original contract the loan was to run for a period of five years or more; and

(c) the debtor is a corporation, company, association, firm, partnership, bank, church, welfare institution, or other non-governmental institution; and

(d) the debtor is, on 1st January, 1953, or on any later date when his creditors request an offer of settlement, resident in the German Federal Republic or in Berlin (West); and
(e) the loan is denominated in non-German currency, or is denominated in German currency and contains a non-German currency or gold clause.

2. Notwithstanding the provisions of paragraph 1 of this Article, the present Agreement shall not be applicable to—

(i) the following categories of debts, which require separate treatment:

(a) debts of public utilities located in and controlled by the City of Berlin;

(b) debts owed by a debtor to any person or persons who, directly or indirectly, own such debtor;

(c) debts in respect of loans the original amount of which, converted at the exchange rate prevailing on 1st July, 1952, was less than U.S. $40,000;

(d) debts subject to the Swiss-German Agreements of 6th December, 1920, and 25th March, 1923 (the so-called Schweizer Frankengrundschulden);

(ii) the debts of the jointly owned German-Swiss Boundary power plants on the Rhine.

There are outstanding three bonded loans and two non-bonded loans which are owed by German companies to Swiss bondholders and other creditors. Owing to certain special features relating to the operation of jointly-owned power plants along the Rhine, the settlement of these debts is bound up with other issues. Considering these circumstances, the final settlement (upon which it is impossible to agree at this time) is left for direct negotiations between Switzerland and the Federal Republic of Germany. However the creditors agree that, in negotiating such a settlement, they will not ask for payment of an annual amount exceeding 5 million Swiss francs in the first five years after 1st January, 1953.

3. No debt shall be excluded solely because a new debtor becomes or has become liable for it, by operation of law or otherwise, either before or after 8th May, 1945. For example, no debt of an enterprise subject to Allied High Commission Law No. 27, "Reorganisation of the German Coal and Iron and Steel Industries," shall be excluded by virtue of the assumption of such debt by unit or other successor companies.

4. This Agreement shall not apply to individual bonds or coupons which require validation under the German Validation Law of 19th August, 1949 (Wirtschaftsgesetzebl. p. 295), and the German Validation Law for Foreign Bonds of August, 1952, until such bonds or coupons shall have been validated pursuant to the provisions of any such law and of any intergovernmental agreement which may be entered into with the country of issue respecting such law.

5. The problem of the debts of the German Central Bank for Agriculture (Deutsche Rëntenbank Kreditanstalt) is complicated by various factors. As a result of the partition of Germany the assets invested in East Germany are presently uncollectable by the Bank, and to that extent the amount of debt covered by this Agreement is reduced by varying

amounts as fixed by existing regulations, the percentage being different in each case and ranging from 20 per cent. to 67 per cent. of the outstanding loans. The German representatives stated that the Federal Government do not at present have the power to alter this situation, which results in particular from the relevant regulations under the currency conversion legislation. They do agree that the Federal Government shall do everything in its power to facilitate the settlement of the debts of the Bank and the payment of interest and amortisation as provided under the said Laws and Regulations.

The creditors' representatives reserve the right of the creditors to take such action as may be open to them to rectify what they consider to be a settlement prejudicial to and discriminatory as between different classes of creditors.

It is understood that the Bank retains its liability to the creditors in respect of the indebtedness secured by assets in East Germany and will service that liability as and when those assets become available to it.

There are several other institutions in a similar position where the same principles should be applied.

6. In dealing with the Potash Loan in any plan of settlement under the provisions of this Agreement, there will need to be considered the special features of this loan.

Article IV

Outstanding Amount of Debt

1. The outstanding amount of any debt is the unpaid principal and all unpaid interest due up to 1st January, 1953, such interest to be computed as simple interest at the rate established in the existing contract, regardless of whether the debt has matured before that date and regardless of the effect of any default under the existing contract prior to that date.

2. An amount is unpaid within the meaning of paragraph 1 of this Article if it has not been received and accepted expressly or implicitly by the creditor. Acceptance by the creditor of funding bonds, scrip or cash from the Konversionskasse constitutes payment of any debt, or of any part of a debt, in respect of which they were accepted.

Article V

Settlement Terms

1. Principal

There shall be no reduction in the outstanding principal amount.

2. Foreign Currency Debts with Gold Clauses

(a) Gold dollars and gold Swiss francs.

In the case of debts expressed in gold dollars or gold Swiss francs, the debts shall be computed on the basis of 1 currency dollar equalling 1 gold dollar and 1 currency Swiss
(b) Other currencies with gold clauses.

In the case of other debts with gold clauses (excluding German currency debts with gold clauses—see paragraph 3 below) the amounts due shall be payable only in the currency of the country in which the loan was raised or the issue was made (below referred to as "the currency of issue"), the amount due being computed as the equivalent at the rate of exchange when the amount is due for payment of a sum in U.S. dollars which shall be arrived at by converting the amount of the obligation expressed in the currency of issue into U.S. dollars at the rate of exchange ruling when the loan was raised or the issue made. The amount of currency of issue so reached shall, however, not be less than if it were computed at the rate of exchange current on 1st August, 1952.

3. German Currency Debts with Gold Clauses

(a) The principle is accepted that such financial debts and mortgages, expressed in Gold Marks or in Reichsmarks with a gold clause, as had a specific foreign character shall be converted into Deutsche Mark at the rate of 1 Goldmark, or 1 Reichsmark with a gold clause, = 1 Deutsche Mark.

(b) The definition of the criteria constituting the specific foreign character of the above indebtedness shall be the subject of further negotiation. Both sides reserve their position as to the question in which cases and in which way the above principle can be implemented. It shall lie with the German Delegation to decide how the solution arrived at can be fitted into the framework of the German laws on currency reform and on the equalisation of war and post-war burdens.

(c) The above-mentioned negotiation between a German delegation and creditor delegates shall take place not later than 31st October, 1952.

4. Arrears of Interest

Subject to the provisions of paragraph 6 below, two-thirds of the unpaid interest to 1st January, 1953, shall be funded and one-third waived. Such funded interest together with the unpaid principal shall constitute the new principal amount.

5. Future Rate of Interest

Subject to the provisions of paragraph 6 below, interest shall run from 1st January, 1953, irrespective of the date when the new contract is entered into pursuant to this Agreement, at 75 per cent. of the rate of interest provided for in the existing contract. Such new current rate of interest, however, shall not exceed 5 1/2 per cent. on bonded debts and 6 per cent. on non-bonded indebtedness, nor shall it be below 4 per cent., except that in cases where the interest rate provided for in the existing contract is below 4 per cent. the rate provided for in the existing contract shall be paid.

(1) See now Annex VII.
6. **Interest Rate in Cases where there has been an Effective Conversion**

In the case of any debt which has been the subject of an effective conversion the debtor shall elect either—

(a) to fund all unpaid interest outstanding under the existing contract to 1st January, 1953, and to pay interest from that date at the full rate provided in the existing contract, or

(b) to fund unpaid interest and to pay future interest as though the original contract were still in force and paragraphs 4 and 5 of this Article were applicable.

7. **Payment of Interest**

Interest for the period beginning 1st January, 1953, shall be payable at least semi-annually. Appropriate adjustment shall be made in any case where the new contract is not entered into until after 1st January, 1954, if the debtor cannot reasonably be expected to pay at once all interest due in respect of the period between 1st January, 1953, and the date the new contract is entered into.

8. **Amortisation Payments**

(a) Amortisation shall be paid annually from 1958 to 1962 at an annual rate of 1 per cent. of the new principal amount and thereafter until the maturity date at an equal rate of 2 per cent. of such new principal amount. Amortisation payments for each year after 1958 shall be increased by the amount of one year's interest on all debt retired by means of the amortisation payments for previous years excluding, however, debt retired by means of payments made pursuant to sub-paragraph (d) below.

(b) Amortisation payments shall be made on the first interest payment date in any given year. If the first interest payment date in 1958 does not fall on 1st January, the first amortisation payment shall be calculated for the period from 1st January, 1957, to such interest payment date, and the same principle shall apply when the annual rate of 2 per cent. comes into operation.

(c) All such amortisation shall be applied to the reduction of the new principal amount. In the case of bond issues the amortisation payments shall be applied to the retirement of bonds through call by lot at the par or face value unless otherwise agreed between the debtor and his creditors.

(d) As long as the service is maintained in accordance with the new contract, additional amortisation may be made by the debtor in any manner, including acquisition of bonds whether in the open market or otherwise.

9. **Maturity**

The new contract shall establish a maturity date not less than 10 years nor more than 25 years from 1st January, 1953. The new maturity date must be agreed upon between the debtor and his creditors. The debtor should offer the earliest maturity date, within the above limits, which is practicable in view of his particular circumstances.

It is contemplated that maturities of 10 to 15 years, or in exceptional cases up to 20 years, should be accorded to industrial debtors, banks and churches; public utilities
and basic industries, however, may extend their maturities to 20 years, but not in excess of 25 years in any case; and in the case of non-bonded debt the normal maturity shall be 10 years.

10. Repayment of Small Amounts of Indebtedness

Wherever the outstanding amount of a debt is very small or is small compared to the amount of the original loan, agreements may be entered into for an earlier repayment and final disposition of the entire amount of such indebtedness and arrears of interest without regard to the provisions of paragraphs 8 and 9 of this Article.

11. Hardship Cases

Wherever owing to extraordinary circumstances, including but not limited to a loss of assets in Germany outside the Federal Republic of Germany and Berlin (West), affecting the financial position of a debtor, it becomes impossible or impracticable for him to make an offer for a new contract on the terms specified in this Agreement, agreements between the debtor and his creditors making such adjustments as may be deemed necessary in the light of the particular circumstances shall not be precluded.

12. Security

Subject to other applicable provisions of law, the provisions of the existing contract for liens and collateral and any other type of security for the protection of creditors shall remain in force, but in so far as the security provided under the existing contract no longer corresponds in its nature or extent with the new principal amount of the debt or no longer corresponds with the circumstances prevailing at the time the new contract is entered into, the debtor may propose a change in the nature or extent of the security. The security proposed by the debtor shall, however, be fully adequate and must be acceptable to the creditor.

To the extent that the security has been impaired or substantially altered the debtor shall make such readjustments as are necessary to provide his creditors with at least the degree of protection originally afforded.

The creditor may demand, and his debtor shall provide, reasonable security or other protective provisions acceptable to the creditor.

13. Reserves and Sinking Funds

Because the amortisation payments are only to commence in 1958 and then at the relatively low rate of 1 per cent., and in 1963 increase to only 2 per cent., the debtor shall pursue a policy of assuring a sufficiently strong liquid financial position in order to meet his obligations at maturity. Therefore, additional provisions should be discussed between creditors and debtors which may provide for the establishment of reserves or sinking funds for the debts under which an annual amount, calculated either as a percentage of the net earnings prior to divided payments or otherwise as may be agreed, shall be set aside.
14. **Provision of Foreign Exchange**
   The debtor shall make the arrangements required under German law for the provision of the necessary foreign exchange to discharge all obligations under the new contract.

15. **Default of the Debtor**
   In the event of default, in addition to any penalties for default provided in the new contract, the creditor shall be entitled, for the period of the default, to receive interest at the rate provided in the existing contract.

16. **Modification of Terms**
   Nothing in this Agreement shall prevent any debtor from obtaining, with the consent of his creditors, terms more favourable to the debtor than those specified in this Agreement.

17. **Concessions for Benefit of Debtors**
   The creditors consider that the concessions made by them under this Agreement should accrue to the benefit of the debtors.

**Article VI**

**Miscellaneous Provisions Affecting Debts**

1. **Repayment in German Currency**
   Any debtor may arrange at the request of any of his creditors for repayment of a debt or part thereof in German currency.

2. **Change of Creditor**
   Apart from the case of bonds, the creditor may assign to some other person ordinarily resident outside the Federal Republic of Germany and Berlin (West) his claim or a substantial part thereof provided that the assignment
   (a) is made to a resident in the same currency area,
   (b) does not entail any modification of the conditions underlying the claim,
   (c) does not result indirectly or directly in settlement of the claim.

3. **Change of Debtor**
   The German Foreign Exchange Control Authorities will favourably consider applications for the taking over of an existing debt by a new German debtor, and for the replacement of existing pledged security by a new security.

**Article VII**

**Procedure for Negotiation of New Contracts**

1. The provisions of and the technical details relating to the new contracts to be entered into between creditors and their debtors shall be included in an offer of settlement to be made by the debtor.

2. All proposed agreements, contracts or indentures shall be subject to approval as to form and content by legal counsel for the creditors if they so desire.
3. Each debtor shall, prior to 30th June, 1953, or within six months of his taking up residence in the Federal Republic of Germany or in Berlin (West), prepare and submit to his creditor a detailed offer of settlement. The creditor may request his debtor to enter into negotiations with him regarding any aspect of the offer, and the debtor shall enter into such negotiations.

4. The term creditor, as used in paragraphs 2 and 3 of this Article, shall in the case of any bond issue mean the creditors' representative appointed pursuant to Article VIII.

5. In the case of bonded indebtedness, the terms of the settlement may be enensed on existing bonds or new bonds may be issued in exchange for existing bonds, and new bonds or fractional scrip exchangeable for bonds may be issued for arrears of interest, depending upon the convenience and prevailing custom in the respective markets in which the bonds were issued. Enfaced bonds or new bonds shall conform to prevailing market practice. The debtor, at his own expense, shall employ suitable banking institutions for the purpose of carrying out the settlement and shall meet all requirements of governmental authorities and securities markets in order to ensure marketability.

Article VIII

CREDITOR REPRESENTATION

The Committees and organisations whose delegates participated in the Conference on German External Debts as representatives of the various national groups of creditors affected by this Agreement (such Committees and organisations being hereinafter referred to as "Creditor Committees") shall, subject to the right of approval of their respective Governments, appoint as creditors' representatives such persons or organisations as may be required to forward and bring about settlements between particular debtors and their creditors pursuant to this Agreement, or may themselves act in such capacity. Not more than one representative or representative organisation shall be appointed in any particular case, except that, where deemed necessary by the Creditor Committees in order to protect fully the rights of the holders of different issues of bonds of a particular debtor, there may be appointed not more than one representative or representative organisation for each such issue. The German debtor is entitled to request the Creditor Committees to appoint representatives. Participation in the Debt Conference shall not bar any person from serving in any capacity in any negotiations entered into pursuant to this Agreement.

Article IX

ARBITRATION AND MEDIATION COMMITTEE

1. Jurisdiction

In order to forward the settlements between individual debtors and their creditors, an Arbitration and Mediation Committee shall be established. The duty of this Committee shall be to mediate and arbitrate between the debtor and his creditors in the event that
they are not able to agree between themselves as to the terms of the offer of settlement to be made. Either party shall have the right to refer a disputed point to the Committee.

The decision of the Committee shall be binding on both parties. The debtor shall be obliged to offer to his creditors the terms set forth in such decision. The creditor shall be obliged to accept such terms\(^1\), or, in the case of a bond issue where the bondholders are represented pursuant to the provisions of Article VIII of this Agreement, the creditors' representative shall be obliged to recommend acceptance of the offer by the bondholders.

Where a creditors' representative has been appointed pursuant to such Article VIII, the rights of the creditors under this Article shall be exercised by such representative.

2. *Composition*

The Committee shall be composed of four members appointed by the creditors and four members appointed by the debtors. The Committee may elect a further member for any particular case upon request of a majority of its members. The chairman of the Committee shall be elected from among the creditor members. The first Chairman shall be the United States member. For each member an alternate may be designated. Each member of the Committee including the Chairman shall have one vote.

3. *Appointment of Members*

The members of the Committee shall be appointed as follows:

(a) The creditor members shall be appointed by organisations designated by the respective Creditor Committees of the United States, United Kingdom, Switzerland and the Netherlands. At the request of the Creditor Committee of a country whose creditors are specially concerned in a particular case, a member appointed by the Creditor Committee in that country shall replace one of these members as his alternate.

(b) The debtor members shall be appointed by the Head of the German Delegation on External Debts.

4. *Procedure*

The Committee may set up sub-committees for any particular case and may appoint temporary members to sit on such sub-committees.

The manner of submitting disputes, the times and places of hearing, the manner of giving notice of hearings, and all other matters relating to the procedure or administration of the Committee or its sub-committees shall be determined by the Committee.

5. *Costs*

Members of the Committee and temporary members shall be reimbursed for all travel and out-of-pocket expenses incurred in connection with the performance of their duties and shall receive in addition remuneration to be established by the Committee for all time spent in connection with the performance of their duties.

\(^1\) See Sub-Annex.
All expenses and costs incurred by the Committee or its members or temporary members in a given dispute shall be borne by the particular German debtor involved. In any case, however, where the Committee or the appropriate sub-committee determines that resort to the Committee has not been made in good faith by a creditor or that the appeal is frivolous the costs and expenses shall be borne by such creditor to the extent directed by the Committee or sub-committee.

All other expenses of the Committee and its members, including compensation to the members when engaged in Committee affairs, shall be refunded by the debtors by assessment or otherwise.

Article X

EXPENSES OF CREDITORS, CREDITOR REPRESENTATIVES AND OTHERS

1. The debtors affected by this Agreement shall pay all expenses incurred in connection with the Debt Conference or in the general execution of this Agreement by any Creditor Committee.

2. Expenses incurred by the creditors in connection with negotiations between a debtor and his creditors pursuant to Article VII of this Agreement shall be borne by the debtor involved. Such expenses and compensation shall be paid, in the case of non-bonded debt, to the creditors and, in the case of bonded debt, to the creditors' representatives appointed pursuant to Article VIII of this Agreement.

3. The term expenses, as used in paragraphs 1 and 2 of this Article, includes reasonable compensation for services. Any dispute as to the reasonableness of expenses payable under this Article may be referred to the Arbitration and Mediation Committee.

4. Payments provided for in this Article shall not stand in the way of or bar any creditors' representative from making and collecting additional charges from the bondholders or creditors.

Article XI

ENTRY INTO FORCE

No payments may be made, under the terms of any settlement offer made pursuant to this agreement, prior to the date of entry into force of the contemplated Intergovernmental Agreement on German External Debts. Nevertheless, the debtors shall proceed expeditiously to prepare and present offers of settlement to their creditors in accordance with the provisions of Article VII of this Agreement, to conduct such negotiations as may be necessary, and otherwise to take all steps to forward the preparation of the new offers contemplated hereunder.
SUB-ANNEX TO ANNEX II

INTERPRETATION OF THE SECOND PARAGRAPH OF SECTION 1 OF ARTICLE IX OF ANNEX II

The Tripartite Commission on German Debts
29 Chesham Place, S.W. 1.

12th November, 1952

Gentlemen,

Our attention has been drawn to a misunderstanding which has arisen as to the meaning of the second paragraph of Section 1 of Annex IX of Appendix 4 to the Report of the Conference on German External Debts. This paragraph reads:

"..."

"The decision of the Committee shall be binding on both parties. The debtor shall be obliged to offer to his creditors the terms set forth in such decision. The creditor shall be obliged to accept such terms, or, in the case of a bond issue where the bondholders are represented pursuant to the provisions of Article VIII of this Agreement, the creditors' representative shall be obliged to recommend acceptance of the offer by the bondholders.

"...

The words in italics, "accept such terms," have given rise to the misunderstanding. The proper interpretation would be clear if they were replaced by the words: "recognise such terms as being in accordance with the provisions of this Agreement."

We shall be grateful if the Tripartite Commission will take note that the above-quoted second paragraph of Section 1 of Article IX of Appendix 4 properly has the sense it would have if it were expressed in this changed wording, i.e., if it read:

"The decision of the Committee shall be binding on both parties. The Debtor shall be obliged to offer to his creditors the terms set forth in such decision, and the creditor shall be obliged to recognise such terms as being in accordance with the provisions of this Agreement, or, in the case of a bond issue where the bondholders are represented pursuant to the provisions of Article VIII of this Agreement, the creditors' representative shall be obliged to recommend acceptance of the offer by the bondholders."

Yours faithfully,

N. LEGGETT
Chairman of Negotiating Committee B
at the Conference on German External Debts

Hermann J. ABS
Head of the German Delegation
for External Debts
AGREED RECOMMENDATIONS FOR THE SETTLEMENT OF STANDSTILL DEBTS: THE GERMAN CREDIT AGREEMENT OF 1952

AGREEMENT made between a committee representative of banking, commercial and industrial concerns in the Federal Republic of Germany and the Western sectors of Berlin (hereinafter referred to as "the German Committee" which expression shall include any institution or body succeeding to any of its functions relevant to this Agreement), the Bank Deutscher Länder (which shall include any institution or body succeeding to any of its functions relevant to this Agreement) and such of the following Committees (hereinafter collectively referred to as "the Foreign Bankers' Committees") as become signatories hereto, namely committees representative of banking institutions carrying on business in the United States of America, the United Kingdom and Switzerland respectively.

WHEREAS:

(1) An Agreement for the maintenance of short-term banking credits to Germany which came into force on the 17th September, 1931, was entered into by foreign banking creditors in response to the request of the Seven-Power Conference, which met in London in July 1931, that "the foreign banking creditors of Germany should take concerted measures with a view to maintaining the volume of credits they had already extended to Germany" and in reliance on the declaration by that Conference that "in order to ensure the maintenance of the financial stability of Germany, which is essential in the interests of the whole world," the Governments concerned "were ready to co-operate, so far as lies within their power, to restore confidence."

(2) Maintenance of such short-term banking credits was continued by successive annual Agreements, the latest of which (hereinafter referred to as "the 1939 Agreement") was due to expire on 31st May, 1940, but, in consequence of the outbreak of hostilities between Germany and the United Kingdom and its Allies, was terminated on 4th September, 1939, by notice given on behalf of the Committees representative of the banking creditors in the U.S.A. and England in accordance with the conditions of that Agreement.

(3) Following the termination of the 1939 Agreement certain Agreements were entered into between the American Creditors' Committee and the appropriate German parties in 1939 and 1940 for the continued maintenance (with certain restrictions and modifications) of such of the said short-term banking credits as had been granted by
the foreign banking creditors in the U.S.A., the second of which Agreements expired on 31st May, 1941.

(4) Following the termination of the 1939 Agreement certain other Agreements were entered into between the Swiss Creditors' Committee and the appropriate German parties for the continued maintenance (with certain restrictions and modifications) of such of the said short-term banking credits as had been granted by foreign banking creditors in Switzerland but all such Agreements have since expired.

(5) In accordance with the conditions of the latest of the previous Agreements applicable thereto, all indebtedness arising under the said short-term banking credits to Germany matured on the expiration of the respective Agreement with the effects stipulated therein and all such indebtedness (including indebtedness arising under certain credits which were granted in substitution for short-term credits formerly governed by one or more of the previous Agreements) then became due and payable by the respective debtors (together with interest and other charges accrued and accruing thereon) in the relative foreign currencies and is still so due and payable except to the extent that the said indebtedness has meanwhile been discharged or reduced by payment or satisfaction in either foreign or German currency. No provision has yet been made to enable the remainder of such indebtedness to be discharged in the respective currencies of the debts.

(6) Banking, commercial and industrial concerns in the Federal Republic through the German Committee have requested their foreign banking creditors to enter into a new Agreement for regulating payment of the outstanding short-term indebtedness and for establishing means for the restoration of normal conditions for financing the foreign trade of the Federal Republic and in response to such request appropriate provisions have been formulated and embodied in this Agreement and it has been agreed by the Foreign Bankers' Committees to recommend foreign banking creditors in their respective countries to adhere to this Agreement.

(7) This Agreement has been executed by the Foreign Bankers' Committees upon the terms that so long as this Agreement remains in force, there shall be promulgated and maintained such legislation and regulations by the Government of the Federal Republic or other appropriate authority (1) as may be necessary to render its provisions effective and that no legislation or regulations substantially affecting the obligations of this Agreement shall be promulgated and in particular that the legislation to be so promulgated and maintained shall ensure that

(i) There will be no discrimination on the part of banking, commercial or industrial concerns in the Federal Republic in the making of repayment or the giving of security as between their foreign banking creditors whether adhering to this Agreement or not;

(ii) There will be no discrimination on the part of banking, commercial or industrial concerns in the Federal Republic in the giving of security as between their creditors in the Federal Republic and their foreign banking creditors whether adhering to this Agreement or not; (1)

(1) See Sub-Annex.
(iii) Unauthorised movements of capital shall be prevented; and (iv)

(iv) (1) All banking, commercial and industrial concerns in the Federal Republic who are subject to any form of indebtedness falling within this Agreement shall adhere thereto.

NOW IT IS HEREBY AGREED as follows:

1. Definitions

In this Agreement, unless the context shall otherwise require, the undermentioned expressions shall have the following meanings, namely:

"Short-term credits" means and includes

(i) All acceptances, time deposits, cash advances and/or any other form of indebtedness arising from special agreements in non-German currency in respect of which adherence was effected by a Foreign Bank Creditor to the latest of the previous Agreements applicable thereto and which is outstanding at the date of this Agreement; but not indebtedness arising out of short-term banking credits extended to banking, commercial or industrial concerns in any country outside the territory comprised in the German State on the 31st day of December, 1937, unless some banker, banking institution or commercial or industrial firm or company ordinarily resident in the Federal Republic (as herein defined) is liable (whether originally or by way of succession or as guarantor, endorser or credit insurer) in respect of such indebtedness;

(ii) Any further acceptances, time deposits, cash advances and/or other forms of banking credit in non-German currency outstanding at the date of this Agreement and arising out of special credit arrangements which were made pursuant to the provisions of any of the previous Agreements in substitution for any short-term credit previously subject to those Agreements or any of them or by way of investment of registered credit balances under the previous Agreements or any of them;

(iii) All indebtedness in respect of interest which shall have accrued on indebtedness falling within the foregoing paragraphs (i) and (ii) up to and including the date of this Agreement and in respect of which the Foreign Bank Creditor shall have elected or be deemed to have elected option (i) expressed in Clause 11A hereof;

(iv) Any further indebtedness arising out of any form of banking credit which shall have been granted by way of recommercialisation of any short-term credit as defined in the foregoing paragraphs (i) to (iii) pursuant to the provisions of Clause 5 hereof.

"German Debtor" means and includes

(i) Any banker, banking institution or commercial or industrial firm or company ordinarily resident in the Federal Republic who is liable in respect of a short-term credit but does not include a foreign branch, subsidiary or affiliation thereof except

(1) See Sub-Annex.
that adherence may be effected by notification to any German commercial or industrial firm or company in respect of credits granted to its foreign branches, subsidiaries or affiliations in cases in which adherence was permitted to be made to any of the previous Agreements. Upon such adherence such credits shall be treated in all respects for the purposes of this Agreement as short-term credits granted to the German parent firm or company;

(ii) Any successors (as herein defined) of a banker, banking institution or commercial or industrial firm or company as aforesaid;

(iii) Any German Public Debtor as that expression is defined in the German Public Debtors' Credit Agreement of 1932.

"German Bank Debtor" means any German Debtor whose primary business is that of banking.

"German Commercial or Industrial Debtor" means any German Debtor who is not a German Bank Debtor or a German Public Debtor as hereinbefore referred to.

"Successors" means and includes

(i) Every party ordinarily resident in the Federal Republic who is liable in respect of a short-term credit as a result of the decease, liquidation, re-organisation or bankruptcy of any German Debtor or former German Debtor.

(ii) Any company ordinarily resident in the Federal Republic which, having derived all or a substantial part of its initial assets from a German Debtor or former German Debtor, has by operation of law or otherwise become liable in respect of a short-term credit.

"Foreign Bank Creditor" means and includes any banker or banking institution ordinarily resident in one of the countries named in the preamble to this Agreement and any other firm or corporation ordinarily resident in one of those countries to whom indebtedness under short-term credits is owing and who shall in either case have unconditionally adhered to this Agreement in accordance with Clause 22 hereof.

"Federal Republic" means and includes the territory comprised in the Federal Republic of Germany and the Western Sectors of Berlin on the date of this Agreement. (*)

"German" means appertaining to the Federal Republic as herein defined.

"Foreign" means appertaining to any country outside the territory comprised in the German State on the 31st day of December, 1937.

"Firm" includes an individual trading in his own or under a firm name.

"Insolvency" where used with reference to a German Debtor means a state in which the Debtor for want of liquid assets, not merely temporary, is unable to discharge all his debts as they mature.

(*) See Sub-Annex.
"The previous Agreements" means and includes the German Credit Agreements of 1931 to 1939, the German Public Debtors' Credit Agreements of 1932 to 1938, the German-American Standstill Agreements of 1939 and 1940, and the Agreements relating to short-term credits owing to banking creditors in Switzerland and known respectively as Das Deutsche Kreditabkommen von 1940, 1941, 1942, 1943 und 1944.

"Face Value" in relation to short-term credits for the time being outstanding means the total amount of such short-term credits according to the latest information available to the respective Foreign Bankers' Committees expressed for the purposes of computation in German currency calculated at the official middle rate quoted in the Federal Republic on the first working day prior to the day on which the computation is made.

2. **Period of Agreement**

(1) Unless otherwise stated, the provisions of this Agreement shall come into force on the day of 1952, and remain in force for a period of twelve calendar months from that date, subject to earlier determination by the Foreign Bankers' Committees in any of the following events, namely:

(i) If there shall be declared in the Federal Republic a moratorium which affects any obligation of German Debtors to Foreign Bank Creditors dealt with in this Agreement, or

(ii) If in the future international decisions or governmental action of a financial, political or economic character create a situation in which, in the opinion of a majority of the Foreign Bankers' Committees, the carrying out of this Agreement becomes seriously endangered, or

(iii) If the Foreign Bankers' Committees, after the attention of the German Committee has been drawn to the matter, shall find that any of the terms contained in Recital (7) has not been complied with.

(2) Any such determination shall be without prejudice to rights and obligations accrued under this Agreement prior to the date of such determination and to be effective must be made by notice in writing or by cable or radiogram (specifying the date upon which this Agreement is to be determined) signed on behalf of a majority of the Foreign Bankers' Committees and despatched to the Bank for International Settlements and to the German Committee, but failure so to notify the German Committee shall not nullify such termination.

(3) The declaration in the Federal Republic of a general foreign moratorium in whatever form shall *ipso facto* determine this Agreement.

3. **Maintenance of Credits, etc.**

(1) During the period of this Agreement the right of any Foreign Bank Creditor to repayment of short-term credits with respect to which he has adhered to this Agreement shall be postponed until the termination of this Agreement, except that such Foreign Bank Creditor shall be entitled to any earlier payment granted or permitted by any Clause of this Agreement. Every German Debtor by adhering hereto agrees that all short-term credits with respect to which he adheres shall be due and payable in full in

(1) See Sub-Annex.
the relative foreign currency on the termination of this Agreement, subject to such reductions as shall have been made prior to such termination pursuant to any of the provisions hereof.

(2) Neither the execution of this Agreement nor anything contained herein shall operate to prejudice any of the rights and obligations of a Foreign Bank Creditor and his German Debtor in respect of a short-term credit which have arisen

(i) as a result of any act or thing done or omitted by the German Debtor for the benefit of the Foreign Bank Creditor during the period from the termination of the latest of the previous Agreements applicable to the relative short-term credit and the coming into force of this Agreements, or

(ii) as a result of the exercise by the Foreign Bank Creditor of any rights or powers available to him during the period mentioned in the last foregoing paragraph.

By adhering to this Agreement in respect of any short-term credit the Foreign Bank Creditor shall be deemed to ratify and confirm any action taken by his German Debtor for the benefit of such Foreign Bank Creditor as specified in the foregoing paragraph (i) and such ratification shall be deemed to have had effect at the time when the relative action was taken.

(3) The ratification provided in the preceding sub-Clause shall not apply to any payments made by any German Debtor in German currency other than payments made to or for the account of the Foreign Bank Creditor with his express consent.

(4) With respect to any short-term credit or part thereof in regard to which a German Bank Debtor was required pursuant to sub-Clause (1) of Clause 7 of the 1939 Agreement (or corresponding provisions of any subsequent Agreement) to obtain from its client an eigene Wechsel or letter of guarantee, such Bank Debtor shall upon his adherence to this Agreement procure for the Foreign Bank Creditor a new eigene Wechsel or (at the option of the Foreign Bank Creditor) a new letter of guarantee dated not earlier than the date of this Agreement and shall hold the same for or forward it to the Foreign Bank Creditor as required by the said sub-Clause (or corresponding provisions). Such letter of guarantee shall contain an obligation of the client to reimburse the German Bank Debtor in the form and to the extent demanded by such Bank Debtor in the event that such Bank Debtor voluntarily repays the relative short-term credit or part thereof in German currency pursuant to Clause 10 hereof.

(5) Every German Bank Debtor or German Commercial or Industrial Debtor shall be obligated to cover at maturity any bill accepted for its account by a Foreign Bank Creditor.

(6) Any Foreign Bank Creditor to whom a short-term credit is owing in a currency other than that of his own country may, by giving notice in writing to his German Debtor at any time within the period of this Agreement, convert such credit into the currency of the country of such Foreign Bank Creditor. Such conversion shall thereupon be effected in the books of the Foreign Bank Creditor and the German Debtor, and the amount of the short-term credit expressed in the new currency shall be calculated by reference to the official middle rates for exchange of German currency into the original
currency of the credit and such new currency respectively quoted in the Federal Republic on the date of the relative notice.

4. **Reduction of Indebtedness (Temporarily inoperative)**

   Each Foreign Creditor shall have the right to require permanent repayment, three months after the date of this Agreement and at the end of each three calendar monthly period thereafter during the period of this Agreement, by per cent. of the total amount of the short-term credits owing to such Foreign Bank Creditor by his German Debtors at the date of the coming into force of this Agreement, in respect of which adherence shall be made. Such repayment shall be made in the currency of the country of the Foreign Bank Creditor and the right to repayment of the total of the short-term credits by per cent., may be exercised by the Foreign Bank Creditor by applying such aggregate repayment right to the short-term credits owing by one or more of his German Debtors as the Foreign Bank Creditor may elect. The Foreign Bank Creditor shall be entitled to allocate his repayment rights to any particular indebtedness owing by an individual German Debtor.

   *(NOTE.—Additional provisions may be required for mechanics of payment.)*

5. **Recommercialisation**

   (1) The Bank deutscher Laender shall from time to time announce to the Foreign Bank Creditors that a certain percentage (hereinafter called the “stated percentage”) of each Foreign Bank Creditor’s aggregate short-term credits outstanding on the date of this Agreement may be recommercialised.

   (2) Thereupon each Foreign Bank Creditor may within three months of such announcement arrange with Banks or other concerns in the Federal Republic (being or capable of becoming German Debtors as defined in this Agreement) for the opening of new credit lines (hereinafter called “substituted lines”) up to the stated percentage of his aggregate short-term credits referred to in the preceding sub-Clause.

   (3) Upon any such arrangement being concluded the Foreign Bank Creditor shall notify the Bank deutscher Laender that it is proposed to open the relative substituted line upon final repayment of an equal amount of specified short-term credits or parts thereof (hereinafter called “designated indebtedness”) owing by a German Debtor (hereinafter called the “designated Debtor”) and designated by the Foreign Bank Creditor. Except where the substituted line is with a German licensed foreign trade bank (Aussenhandelsbank) the Bank deutscher Laender shall have the right to disapprove the arrangement if it is not satisfied that the new debtor will be able to make adequate use of the substituted line.

   (4) Unless the Bank deutscher Laender disapproves the arrangement for recommercialisation, pursuant to the preceding sub-Clause, the Foreign Bank Creditor shall give notice to the designated Debtor to repay the designated indebtedness and such Debtor shall, as promptly as possible, arrange through the Bank deutscher Laender for such
repayment in foreign currency and upon such repayment the substituted line will be open for availment.

(5) A Foreign Bank Creditor who has received security for designated indebtedness shall notify the designated Debtor of his willingness in case of a part repayment to release, against such repayment, a proportionate part of such security except where the security is not capable of division or except where the agreement between the parties otherwise provides. Failing such notification the Foreign Bank Creditor shall not be entitled to demand repayment of such indebtedness.

(6) In so far as a Foreign Bank Creditor who has given or participated in giving a credit on joint account as defined in Clause 7 of the German Credit Agreement of 1931 is entitled (under any still subsisting arrangements governing the rights of the parties to such credit inter se) to demand any separate repayment on account of his participation, he shall not be permitted to demand repayment of the indebtedness owing by a German Commercial or Industrial Debtor without at the same time demanding repayment of at least a corresponding proportion of the indebtedness owing by the German Bank Debtor in the joint account provided that such German Bank Debtor has adhered to this Agreement.

(7) No syndicate as such may exercise any of the rights of a Foreign Bank Creditor under this Clause. Nothing in this sub-Clause is intended to affect such rights as any participant in a syndicate may have either through withdrawal from such syndicate or by arrangements therewith to make an individual demand for repayment of designated indebtedness under this Clause.

(8) Substituted lines shall be available only by bills drawn for financing trade between the Federal Republic and other countries and not merely for the purpose of creating foreign exchange or for the purpose of financing business which could more properly be financed by inland credits; provided that a Foreign Bank Creditor shall not be obliged to accept any bill drawn in respect of a transaction which is for the time being prohibited or disapproved by the authorities of the respective foreign creditor country or which it would not be the current practice of banks in such country to finance by an acceptance credit. If any question shall arise whether any bill complies with the foregoing provisions, such question shall be decided by agreement between the Foreign Bankers' Committee concerned and the German Committee. All such bills outstanding at any time shall be covered by the German Debtor at maturity in cash in the currency of the credit and the unavailment thus created shall be again availed of only in accordance with this sub-Clause. For the cash payment referred to herein a German Debtor may use the proceeds of a new bill; provided that—

(i) the new bill shall have been presented to the Foreign Bank Creditor a week, if possible, and at least four business days before the due date of the maturing bill and shall have been designated for the purpose of meeting the maturing bill from the proceeds;

(ii) the new bill complies with the requirements of this sub-Clause, and

(iii) the Foreign Bank Creditor shall have accepted the new bill before the due date of the maturing bill.
If a new bill so offered is not so accepted by the Foreign Bank Creditor on the grounds that it does not comply with the requirements of this sub-Clause the German Debtor shall be bound to remit cash to cover the maturing bill punctually on maturity. The German Debtor in that case may apply to the Foreign Bankers' Committee concerned through the German Committee and if such Committees agree that the new bill does comply with the requirements of this sub-Clause, then the Foreign Bank Creditor shall be bound to accept the new bill.

(9) If a Foreign Bank Creditor has failed within three months of the announcement of any stated percentage to take advantage of the whole or part of his rights to arrange recommercialisation, such rights shall lapse (without however affecting such Foreign Bank Creditor's right to other recommercialisation pursuant to subsequent announcements of stated percentages).

(10) The Bank deutscher Laender will use its best efforts to arrange that a certain amount of eligible business shall be available for recommercialisation.

(11) A Foreign Bank Creditor who has opened a substituted line and the Debtor to whom such line is granted shall be subject to all the provisions of this Agreement in respect of such substituted line and forms of adherence in respect thereof shall be exchanged upon the Foreign Bank Creditor receiving repayment of the relative designated indebtedness.

(12) If in the opinion of the Bank deutscher Laender a substituted line is not being adequately availed of in the interests of the German economy, the Bank deutscher Laender may require the Foreign Bank Creditor to place so much of such line as is not then availed of at the disposition of some other bank, banking institution or commercial or industrial firm or company in the Federal Republic (being or capable of becoming a German Debtor) selected by the Foreign Bank Creditor and not disapproved by the Bank deutscher Laender. In such case the original substituted line shall be cancelled pro tanto and the new line of equivalent amount shall constitute a new substituted line, and the Foreign Bank Creditor and new German Debtor shall be subject to all the provisions of this Agreement in respect of the new substituted line and forms of adherence in respect thereof shall be exchanged. If the Foreign Bank Creditor shall fail to select a new German Debtor to the satisfaction of the Bank deutscher Laender the latter may propose a new German Debtor; and, if the Foreign Bank Creditor shall refuse to accept such proposed new German Debtor, the reasonableness of such refusal shall at the request of the Bank deutscher Laender be determined by agreement between the German Committee and the relative Foreign Bankers' Committee and, if such Committees are unable to agree, then by the Arbitration Committee.

6. Security
   (1)—(a) Where
   (i) A German Bank Debtor holds from any of its clients any security, whether general or specific (including guarantees) as collateral for credit facilities held by the German Bank Debtor at the disposal of such client and

   (ii) the credit facilities granted to such client (whether secured or not) have arisen out of any short-term credit owed to one or more Foreign Bank Creditors by the German Bank Debtor
the whole of such security or a pro rata share thereof for the time being held by the German Bank Debtor shall be held by the German Bank Debtor in valid and effectual trust for such Foreign Bank Creditor or Foreign Bank Creditors, upon the same terms and conditions as those upon which it is held by the German Bank Debtor. The existence of such trust shall not interfere with the administration by German Bank Debtors in accordance with ordinary banking practice of any such security from time to time held by them.

(b) In the event of the security becoming enforceable the proceeds thereof shall be divided amongst the German Bank Debtor and the Foreign Bank Creditors as nearly as possible in accordance with the provisions which would have been applicable to such division under the 1939 Agreement.

(c) The German Bank Debtors shall continue, whenever it appears to them necessary for the protection of the interests of themselves and the Foreign Bank Creditors, to obtain security from their clients and to maintain it at an appropriate amount.

(d) Each German Bank Debtor shall furnish his Foreign Bank Creditors with confirmation in writing of the holding of security in trust for them pursuant to the provisions of this sub-Clause and supply to his Foreign Bank Creditors upon general or specific request statements in the standard form agreed upon by the German Committee with the Foreign Bankers' Committees and made up as at the 30th June and the 31st December showing (i) by an estimated percentage figure, the extent to which any short-term credit referred to in paragraph (a) of this sub-Clause is secured, (ii) the total amount of the short-term credits owed by the German Bank Debtor to the Foreign Bank Creditor to whom the statement is supplied, (iii) the estimated value of the pro rata share of the Foreign Bank Creditor in the security mentioned in (i) above, and (iv) details of the security so held showing the nature thereof and the extent to which security is held for the obligations of any particular clients.

(2) In the case of short-term credits for account of German Commercial or Industrial Debtors the German Commercial and Industrial Debtor shall provide collateral security in favour of a Foreign Bank Creditor as follows:

(a) Where and so far as under the arrangement existing under the latest of the previous Agreements applicable to the relative short-term credit the German Commercial or Industrial Debtor was under obligation to provide security, he shall continue to provide security of the same character and to the same extent during the period of this Agreement.

(b) Where and so far as the giving of security is consonant with the business of the German Commercial or Industrial Debtor and such security can be given without endangering the position of his other creditors.

(3) A German Debtor shall promptly upon demand furnish to any of his Foreign Bank Creditors a copy of his last audited Balance Sheet and such other particulars relating to his financial position as the Foreign Bank Creditor may reasonably require.

(4) A Foreign Bank Creditor may with the consent of the Bank deutscher Laender realise outside the Federal Republic any security in existence at the date of this Agreement in respect of a short-term credit and apply the net proceeds of such realisation (after
payment of all expenses incurred in effecting realisation) in permanent reduction or discharge of the relative short-term credit. Provided that he shall be obligated to secure the best terms and conditions reasonably obtainable in the interest of the German Debtor.

7. **Switching of Creditors**

A Foreign Bank Creditor shall have the right to transfer any short-term credit or part thereof (i) to another Foreign Bank Creditor or (ii) to any other person, firm or corporation approved for that purpose by the Foreign Bankers' Committee of the country of the transferor and the German Committee; provided that

(a) no such transfer shall (except by agreement with the German Debtor in question) involve any change in the terms attaching to such credit or part of a credit;

(b) forthwith upon any such transfer being effected the necessary forms of adherence shall be exchanged between the transferee and the German Debtor;

(c) any such transfer to a Foreign Bank Creditor or other person, firm or corporation as aforesaid in the country of one of the other Foreign Bankers' Committees shall also be subject to the consent of the Bank deutscher Laender.

Upon any such transfer being effected and the necessary forms of adherence being exchanged the transferee shall have the same rights and obligations in respect of the short-term credit or part of a credit so transferred as if he were the original creditor.

8. **Switching of Debtors**

Any Foreign Bank Creditor may at any time during the period of this Agreement with the agreement of the German Debtor (who shall first obtain the consent of the Bank deutscher Laender) make arrangements for the transfer to another banker, banking institution or commercial or industrial firm or company in the Federal Republic (being or capable of becoming a German Debtor) of liability in respect of a short-term credit (not being a substituted line as defined in Clause 5 hereof) owing by any German Debtor. Upon such transfer being effected the Foreign Bank Creditor and the new German Debtor shall be subject to all the provisions of this Agreement in respect of such credit and forms of adherence in respect thereof shall be exchanged.

9. **Extension of New Credits**

(1) If any Foreign Bank Creditor shall during the continuance of this Agreement make additional foreign exchange facilities available to the German economy by granting to any German bank, banking institution or commercial or industrial firm or company a new credit line (not being a substituted line as defined in Clause 5 hereof) in non-German currency for the purpose of financing trade between the Federal Republic and other countries, every original and subsequent availment of such credit line shall give rise to repayment rights in accordance with this Clause of an amount at the rate of 3 per cent. of such availment for every three months of such availment. Any such new credit line shall not be subject to this Agreement.
(2) For the purpose of this Clause the term “availment” shall include the acceptance of a bill, the granting of a cash advance and, in the case of a confirmed credit, the opening of such credit.

(3) Such repayment rights may be exercised by the Foreign Bank Creditor by applying the same to such short-term credits or parts thereof owing by any one or more of his German Debtors as the Foreign Bank Creditor may select.

(4) Upon any such availment notice may be given by the Foreign Bank Creditor to the German Debtor or Debtors to whose short-term credits or parts thereof he proposes to apply any repayment right as aforesaid and a copy of such notice, together with particulars of the new credit line and the availment thereof, shall simultaneously be forwarded by the Foreign Bank Creditor to the Bank deutscher Laender. Each such German Debtor shall as promptly as possible arrange through the Bank deutscher Laender for final repayment in foreign currency of the relative amount specified in the Creditor’s notice.

(5) The provisions of sub-Clauses (5), (6) and (7) of Clause 5 hereof shall be deemed to be incorporated mutatis mutandis in this Clause.

(6) If any German Debtor shall fail to comply with a notice for repayment with reasonable promptitude the Foreign Bank Creditor shall be entitled to apply the relative repayment right or part thereof to some other short-term credits in accordance with the foregoing conditions.

10. Repayment in German Currency

(1) Any German Debtor may arrange at the request of his Foreign Bank Creditor to make repayment of a particular short-term credit or part thereof in German currency, converted as hereinafter provided, to the same extent as such German Debtor might on 24th May, 1952, have voluntarily made such repayment pursuant to Directive (50) 6 of the Allied Bank Commission to the Bank deutscher Laender dated 26th June, 1950.

(2) Conversion from foreign currency into German currency shall be calculated at the official middle rate quoted in the Federal Republic one working day previous to the day on which the payment in German currency is actually made.

(3) Every such payment shall upon acceptance by the Foreign Bank Creditor constitute final repayment of the foreign currency amount of the short-term credit or part of the short-term credit calculated at the conversion rate provided in sub-Clause (2) of this Clause.

(4) Balances in German currency arising from repayment of short-term credits pursuant to this Clause or Clause 11A shall be applicable and transferable as permitted under provisions of any Allied laws, ordinances, directives and licences (including General and Special licences issued by the Bank deutscher Laender) in effect in the Federal Republic on 24th May, 1952, or as otherwise permitted by the Bank deutscher Laender. However, no regulation of the Bank deutscher Laender shall at any time with regard to the transfer and use of German currency balances and affecting Foreign Bank Creditors.
be more unfavourable in effect to such Creditors, or cause their rights to be more limited, than such rights as existed under the aforesaid laws, ordinances, directives and licences.

11. **Commission and Interest Charges**

As from the date of this Agreement all commission and discounting charges in keeping with usual banking practice, together with bill stamp duty, shall be paid in advance and interest shall be paid monthly in the currency in which the respective credit is maintained. It is desirable that commission and interest charges shall not be more than reasonable under the circumstances and should any difference arise as to the amount thereof between a Foreign Bank Creditor and a German Debtor the matter may be referred to their respective Central Banks.

11A. **Arrears of Interest**

Interest on short-term credits at the rate of 4 per cent. per annum for the period since the date to which such interest was last paid to the Foreign Bank Creditor or the date of termination of the latest of the previous Agreements applicable thereto (whichever be the later) up to the date of this Agreement shall, at the option of the Foreign Bank Creditor concerned, either

(i) as of the date of this Agreement be added to the principal of the relative short-term credit and form part thereof for the purpose of adherence to and for all other purposes of this Agreement, or

(ii) be postponed and fall due in the relative foreign currency upon the termination of this Agreement, provided however that at any time prior to such termination the Foreign Bank Creditor may be paid pursuant to the provisions of Clause 10 hereof all or any part of such postponed interest in German currency (converted at the official middle rate quoted in the Federal Republic one working day previous to the day on which payment is actually made).

Each Foreign Bank Creditor, upon giving notice to his German Debtor of adherence to this Agreement, shall at the same time notify such Debtor which of the options the Creditor elects to exercise and, if no election is so notified, the Creditor shall be deemed to have elected to exercise option (i).

12. **Prorating of Payments and Security by German Banks**

(1) If a German Debtor, who is indebted both to a Foreign Bank Creditor and to a German Bank Debtor, has become insolvent or has sought a composition or other arrangement of a similar character with all or some of his creditors or has been declared bankrupt within the period of this Agreement or within three months thereafter, the German Bank Debtor shall prorate with the Foreign Bank Creditor any repayments received by the German Bank Debtor from the German Debtor at any time within four months before the happening of such event, as well as any security (including guarantees) received from the German Debtor at any time within the period of this Agreement.

(2) The Trustee in bankruptcy (Konkursverwalter), any German official in charge of any composition or arrangement as aforesaid and the German Bank Debtor shall
furnish all the Foreign Bank Creditors concerned with full information as to any repay-
ments made or security given as aforesaid.

13. Retention of the Liability of Guarantors, etc.

(1) No guarantor, endorser or credit insurer in the Federal Republic in respect of
any short-term credit shall obtain any release from obligations under his guarantee,
endorsement or insurance by reason of the postponement of or any change in the form
of such short-term credit or part thereof (including the change provided for in Clause 19
hereof) by virtue of or consequent upon this Agreement and no debtor in the Federal
Republic whether absolutely or contingently liable in respect of any short-term credit
shall be released by reason of any partial payment on account thereof by any third party
or by reason of any change in the form of such short-term credit or any part thereof by
virtue of or consequent upon this Agreement. If the indebtedness of a German Debtor
is guaranteed or credit insured by a guarantor or credit insurer outside the Federal
Republic who does not assent to the postponement of or change in the form of such
indebtedness the German Debtor shall not be entitled to the benefit of this Agreement.

(2) If a person being a partner of a firm which is a German Bank Debtor or German
Commercial or Industrial Debtor ceases to be a partner during the continuance of this
Agreement whether owing to his death or from any other cause any liability arising
under any short-term credit maintained under this Agreement shall be deemed to be a
liability existing at the date when such person ceased to be a partner; and the personal
liability of such person or if he be dead the liability of his estate for liabilities of his firm
which were existing at the date when he ceased to be a partner apply to any liability
arising under any such short-term credit while maintained under this Agreement.

14. Bankruptcy, Insolvency or Breach; and Effect of Loss of Benefits of this Agreement
by a German Debtor

(1) If at any time during the period of this Agreement a German Debtor is declared
bankrupt or becomes insolvent he shall forthwith cease to enjoy any benefits and privi-
leges under this Agreement. If a Foreign Bank Creditor during the period of this Agree-
ment claims that a German Debtor has become insolvent and this claim is disputed
either party shall have the right to refer the dispute for decision to the Arbitration Com-
mittee. Pending a decision by the said Arbitration Committee the Foreign Bank Creditor
shall refrain from taking any steps against the German Debtor.

(2) If at any time during the period of this Agreement a German Debtor applies
to the competent tribunal for a composition (Vergleichsverfahren) or other arrangement
of a similar character with all or some of his creditors any Foreign Bank Creditor of such
Debtor at any time before such composition or other arrangement is confirmed by the
competent tribunal may give notice to such Debtor terminating this Agreement as
between the parties and upon the giving of such notice the Debtor shall cease to enjoy
any benefits and privileges under this Agreement.
(3) If at any time during the continuance of this Agreement a Foreign Bank Creditor claims that a German Debtor has committed a breach of any of the provisions of this Agreement and has failed to remedy such breach upon request within a fortnight of receipt of formal notice from the Foreign Bank Creditor, such Foreign Bank Creditor may refer the dispute to the Arbitration Committee for decision. If such reference shall have been so made no steps shall be taken in the matter by any party to this Agreement pending a decision by the Arbitration Committee. If the Arbitration Committee shall give a decision adverse to the German Debtor and the German Debtor shall fail, within a fortnight of the decision of such Committee, to comply therewith the German Debtor shall forthwith cease to enjoy any benefits or privileges under this Agreement in respect of the short-term credit held at his disposal by the Foreign Bank Creditor.

(4) If a German Debtor ceases at any time to enjoy any benefits or privileges under this Agreement by reason of any of the provisions of the foregoing sub-Clausess of this Clause, then in the case of bankruptcy, insolvency or composition (Vergleichsverfahren) or other arrangement of a similar character with all or some of his creditors his indebtedness to all his Foreign Bank Creditors, and in the case of a breach of his indebtedness to the Foreign Bank Creditor or Creditors affected by such breach, shall forthwith become due and payable and thereupon nothing shall prevent the Foreign Bank Creditor or Creditors concerned from prosecuting and enforcing all his or their claims against the German Debtor including the exercise of such remedies as he or they would have if permanently resident in the Federal Republic.

(5) The fact that a German Debtor has lost the benefit of this Agreement shall not prejudice the rights of any party which existed at the date on which such loss of benefit took place and in particular shall not prejudice the rights of his Foreign Bank Creditor against the Deutsche Golddiskontbank in respect of any guarantee of short-term credits in respect of which such Debtor was liable.

(6) If a German Debtor shall at any time cease to enjoy any benefits or privileges under this Agreement by reason of notice given pursuant to sub-Clause (2) of this Clause other than in case of a composition (Vergleichsverfahren), then the provisions of Clause 16 hereof shall not be applicable to the obligations of such Debtor in respect of the relative indebtedness.

15. Maintenance of Credits for Longer Periods

Any Foreign Bank Creditor may make arrangements with his German Debtor for the maintenance of his short-term credits or some of them for a period longer than is provided by Clause 2 of this Agreement or for the substitution of such credits by other credits to be maintained for a period longer than is provided by that Clause. On the making of any such arrangement the short-term credit or short-term credits which is or are so extended or substituted shall cease to be subject to this Agreement if the Bank deutscher Laender agrees.

16. Provision of Foreign Exchange

The Bank deutscher Laender undertakes to make available at all times during the period of this Agreement the necessary foreign exchange to enable the German Debtors
to discharge the obligations necessitating the provision of foreign exchange and assumed by them under or pursuant to this Agreement.

17. **Consultative Committee**

(1) For the purpose of conferring from time to time with the German Committee and the Bank deutscher Laender and keeping the Foreign Bankers' Committees informed of matters arising during the period of this Agreement and of performing such other duties, consistent with the terms of this Agreement, as shall be entrusted to them under this Agreement or by the Foreign Bankers' Committees, a meeting of a Consultative Committee consisting of delegates representing the Foreign Bankers' Committees may be convened at any time by the Chairman of the Joint Committee of Representatives of Foreign Bankers' Committees and shall be so convened by him at any time if he is requested so to do by the German Committee or by any Foreign Bankers' Committee. Each Foreign Bankers' Committee signatory to this Agreement shall be entitled to nominate a delegate. Any meeting fixed by or in accordance with this Clause may be cancelled or postponed by notice given by the Chairman of the said Joint Committee.

(2) Subject as hereinafter provided all decisions of the delegates shall be taken by the vote of delegates present and representing a majority of the Foreign Bankers' Committees, provided that such majority of Foreign Bankers' Committees shall represent not less than 50 per cent. in face value of the short-term credits then outstanding.

(3) The Committee herein appointed may by unanimous vote of the delegates present at a meeting and with the agreement of the German Committee construe and amend the terms of this Agreement from time to time, provided that no amendment shall be made which shall substantially change the rights of the parties or adherents hereto. The determination of the Committee herein appointed and of the German Committee that any such amendment does not substantially change such rights shall be binding on all the parties and adherents hereto.

(4) If at any time it becomes possible under laws then in force in the Federal Republic for a Foreign Bank Creditor to require repayment of a short-term credit or any part thereof in German currency, then the Consultative Committee by unanimous vote of its delegates at a meeting (or by written agreement of all such delegates without a formal meeting) may amend Clauses 10 and 11A of this Agreement so as to make payment in German currency thereunder compulsory upon the Debtor if and to the extent that a Foreign Bank Creditor shall require the same subject, however, to any then still subsisting limitations in force in the Federal Republic regarding such payments. Any such amendment shall be binding upon all the parties and adherents hereto.

18. **Investments under Previous Agreements**

As from the date of this Agreement interest and earnings in respect of investments made out of Registered Credit Balances pursuant to Clause 10 of any of the previous Agreements shall be dealt with as provided in clause 10 (5) (g) of the 1939 Agreement; provided that the rate at which such interest and earnings will be transferred shall not exceed the rate of interest for the time being payable on short-term credits to Foreign Bank Creditors in the same creditor country.
19. **Maturity of Credits**

All indebtedness arising under short-term credits covered by this Agreement shall mature on the expiration or termination hereof and such indebtedness shall thereupon become due and payable. Furthermore, on such expiration or termination, Foreign Bank Creditors shall be entitled to debit the accounts of German Debtors with the amount of all bills accepted for account of such German Debtors notwithstanding the fact that the bills themselves are drawn for later maturity but so that no interest shall be chargeable until the bills mature. In the case of confirmed credits, Foreign Bank Creditors shall be entitled to debit as an actual liability the amount of all bills drawn thereunder prior to the expiration of this Agreement, notwithstanding the fact that such bills have not at that date been presented for acceptance and, as a contingent liability, the unused balance of any confirmed credit, but so that interest shall not be chargeable until the bills mature or until cash has actually been advanced by Foreign Bank Creditors in respect of such credits.

20. **Arbitration**

(1) In case any dispute shall occur between Foreign Bank Creditors and German Debtors(1) or the Bank deutscher Laender as to the interpretation of this Agreement or as to any matter or thing arising thereout, the same shall be referred to an Arbitration Committee constituted in accordance with the provisions of this Clause.

(2) The Arbitration Committee shall be constituted as follows:

(a) The Bank for International Settlements shall nominate three persons to serve as permanent members of the Arbitration Committee, designating one of such persons as Chairman of the Committee and a second person as Vice-Chairman to preside over any meeting of the Committee in the absence of the Chairman.

(b) In addition the Bank for International Settlements shall nominate three persons who shall be available to serve as alternate members of the Arbitration Committee in place of any one or more of the permanent members who may from time to time be unable through illness or otherwise to attend meetings of the Committee, specifying the permanent member which each such alternate is to replace. No alternate shall be entitled to attend any meeting of the Committee except in the absence of and as substitute for his respective permanent member.

(3) The Rules of the Arbitration Committee shall provide inter alia that:

(a) Not less than ten day's notice shall be given to each of the signatories to this Agreement (that is to say, the Foreign Bankers' Committees, the German Committee and the Bank deutscher Laender) of the hearing of any questions referred to the Arbitration Committee by any of such signatories and thereupon each of such signatories shall have the rights of a party to the proceedings as provided in the next succeeding paragraph of this sub-Clause.

(b) In respect of every question referred to the Arbitration Committee all parties to the proceedings shall be entitled to be represented at the hearing thereof by a represent-

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(1) See Sub-Annex.
ative, lawyer or other agent and to submit for consideration of the Arbitration Com-
mittee a written statement of arguments in support of or in opposition to such question
in accordance with such regulations as to procedure as the Arbitration Committee
may from time to time prescribe.

(c) The Arbitration Committee shall decide from time to time the times and places at
which the sessions of the Committee are to take place and shall give due notice thereof
to all signatories to this Agreement.

(d) The Arbitration Committee shall in respect of every decision made by it, whether
or not such decision is unanimous, state briefly in writing the grounds upon which such
decision is based provided, however, that the grounds for the Committee's decision
need not be given if the Committee so determines by a unanimous vote, unless one
of the parties has prior to the hearing requested in writing that the grounds be stated.
In cases where no grounds are stated the award shall contain a record of the fact
that a unanimous decision to that effect was passed by the Committee and that no
request was made by any of the parties as aforesaid.

(e) If the Arbitration Committee shall, in respect of any question referred to it, declare
itself not to be competent to decide the same and if upon application to the appropriate
court of law in the country of any of the parties to the proceedings, jurisdiction shall
be declined upon the ground that jurisdiction rests with the Committee, or, if the
question be referred back wholly or in part to the Committee, then in either such
case the Committee shall decide the question.

21. Expenses

The costs and expenses of and incidental to the preparation and execution of this
Agreement and of carrying the terms thereof into effect, including all legal costs and other
expenses properly incurred by Foreign Bankers' Committees prior to the execution of
this Agreement (but not earlier than 1st November, 1950) and during the continuance
thereof, shall be for the account of the German Debtors. Provision for the payment
of all such costs, expenses and remuneration shall be made by the German Committee.

22. Adherence

(1) Adherence to this Agreement shall be effected by each Foreign Bank Creditor
notifying to his German Debtor or Debtors within two months from the coming into
force of this Agreement his willingness to adhere, by means of a letter in standard form
rendered in duplicate (specifying the short-term credits in respect of which such German
Debtor or Debtors are liable and in respect of which adherence is made) which will be
obtainable from the Foreign Bankers' Committees in the respective foreign creditor
countries. Every German Debtor shall forward within four days of receipt of a letter
of adherence from any of his Foreign Bank Creditors a letter confirming his adherence(1)
in standard form which will be obtainable from the Bank deutscher Laender or any
Landeszentralbank.(1) Adherence by the Foreign Bank Creditor may be effected by
cable subsequently confirmed in the foregoing manner.

(2) Each Foreign Bank Creditor who formerly participated in a syndicate credit
shall be entitled to adhere to this Agreement in respect of his participation in the business.

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(1) See Sub-Annex.
(3) Upon adherence having been effected the Foreign Bank Creditor and the German Debtor shall become parties to this Agreement in respect of the short-term credits so specified, and shall thenceforth be entitled to the rights granted to and be subject to the obligations to be assumed by the Foreign Bank Creditors and German Debtors respectively under this Agreement.

(4) Any Foreign Bankers' Committee may, with the consent of the German Committee, extend the time within which any one or more Foreign Bank Creditors in its country may adhere to this Agreement. Provided that where any person, firm or company in the Federal Republic becomes liable in respect of a short-term credit or part thereof by way of succession or substituted succession during the period of this Agreement or where new adherences are exchanged pursuant to Clause 5, 7 or 8 hereof, adherence in respect of such credit or part of a credit may be made without such consent as aforesaid within a reasonable time after such succession or other relevant event takes place.

(5) In the case of any short-term credit or part thereof which has been granted to a bank debtor who is not ordinarily resident inside the Federal Republic or whom his Foreign Bank Creditor can no longer locate or identify and in respect of which a client of such bank debtor ordinarily resident inside the Federal Republic is also liable, such client shall be bound (if the Foreign Bank Creditor so requires) to adhere to this Agreement in respect of such credit or part of a credit to which the provisions of this Agreement shall then apply as if the same had originally been granted direct to the client.

(6) In the case of any short-term credit or part thereof which has been granted to a commercial or industrial debtor who is not ordinarily resident inside the Federal Republic or whom his Foreign Bank Creditor can no longer locate or identify and in respect of which some person ordinarily resident inside the Federal Republic is also liable as guarantor, endorser or credit insurer, such person shall be bound (if the Foreign Bank Creditor so requires) to adhere to this Agreement in respect of such credit or part of a credit to which the provisions of this Agreement shall then apply as if the same had originally been granted direct to such person.

(7) Where a German banking, commercial or industrial concern becomes or has become the successor to the primary liability under any short-term credit or part thereof pursuant to or as a result of German law (e.g., Reg. 35 under Monetary Law No. 63 or Credit Institution Law promulgated March 29, 1952) the Foreign Bank Creditor may adhere to this Agreement vis-à-vis such concern in respect of such credit or part of a credit and such concern shall confirm adherence on its part in the manner and with the effects provided in this Agreement. This provision shall also be operative in the case of any substituted succession in respect of a short-term credit or part thereof where such substitution is in accordance with laws now in force in the Federal Republic (e.g., Art. 7 (3) of Credit Institution Law promulgated March 29, 1952). Upon adherence by any successor German Debtor in respect of a short-term credit or part thereof the relative adher-
ence by any predecessor German Debtor shall (except as herein otherwise provided) cease to have force and effect.

(8) Where pursuant to laws now in force in the Federal Republic (e.g., Reg. 35 under Monetary Law No. 63 or Credit Institution Law promulgated March 29, 1952) one or more successor banking institutions become or have become jointly liable with the original German Bank Debtor in respect of a short-term credit or part thereof, then (subject to the provisions of the two succeeding sub-Clause) such successor institution or institutions shall also adhere to this Agreement in respect of such credit or part of a credit, but in such case the adherence of the original German Bank Debtor shall continue in full force and effect.

(9) In the case of any short-term credit or part thereof which has been granted to a German Bank Debtor and in respect of which a client of such German Bank Debtor ordinarily resident outside the Federal Republic is also liable, neither the German Bank Debtor nor any banking institution jointly liable with it shall be obliged to take any action in respect of such credit or part of a credit under the provisions of this Agreement (except to adhere by way of acknowledgement of the existence and amount of such credit or part of a credit) unless and until the Foreign Bank Creditor would be entitled in the absence of this Agreement to enforce payment in the Federal Republic of the relative indebtedness under German law.

(10) In the case of any short-term credit derived from an original cash advance which was not converted into an acceptance credit, payment of which the Foreign Bank Creditor (by reason of laws for the time being in force in the Federal Republic, e.g., Reg. 35 under Monetary Law No. 63 or Art. 7 (2) of the Credit Institution Law promulgated March 29, 1952) can enforce within the Federal Republic only to the extent of a proportionate part, the German Bank Debtor and any banking institution which may be jointly liable with it shall not be obliged to take any action under the provisions of this Agreement in respect of that proportionate part which the Foreign Bank Creditor cannot for the time being enforce (except to adhere by way of acknowledgment of the existence and amount thereof) until the Foreign Bank Creditor would be entitled in the absence of this Agreement to enforce payment in the Federal Republic of the relative indebtedness under German law.

23. Deutsche Golddiskontbank

(1) Nothing contained herein shall limit the obligations of, or the rights of any Foreign Bank Creditor against the Deutsche Golddiskontbank as the same are set forth or incorporated in the latest of the previous Agreements applicable to a particular short-term credit and Clause 23 of the 1939 Agreement is incorporated herein by reference (to be effective as from the date of this Agreement) except that as regards the text of such Clause:
(a) sub-Clause (3) thereof shall be deemed to be amended so that the words "this Agreement" in sub-Clause (5) (b) of Clause 23 of the 1933 Agreement shall be substituted by the words "any of the previous Agreements."

(b) sub-Clause (4) thereof shall be deemed to be amended so that the words "Clause 23 of the 1932, 1933, 1934, 1935, 1936, 1937 and 1938 Agreements" shall be substituted by the words "Clause 23 of any of the previous Agreements."

(c) sub-Claususes (5) and (7) thereof shall be deleted.

(2) The Liquidator of the Deutsche Golddiskontbank by signing this Agreement accepts the provisions of sub-Clause (1) of this Clause and severally acknowledges to each Foreign Bank Creditor holding any short-term credit or part of a short-term credit payment of which has heretofore been guaranteed by the Deutsche Golddiskontbank and in respect of which adherence is made to this Agreement that, to the extent that such credit or part of a credit has not heretofore been paid or satisfied, the liability upon such guarantee remains in full force and effect.

24. Payments from Other Sources

In the event that subsequent to his adherence to this Agreement any Foreign Bank Creditor shall in relation to any existing indebtedness owed by a debtor in the territory comprised in the German State on the 31st day of December, 1937, accept payment of any sum of money from a source other than such debtor, which sum he is required by operation of law or otherwise or elects to apply against short-term credits covered by this Agreement, then such Foreign Bank Creditor shall apply such moneys in permanent repayment of indebtedness in respect of the short-term credit or credits (if any) in relation to which such sum was received; provided that if such sum was not received in relation to any particular short-term credit or credits then, unless the Foreign Bank Creditor has other indebtedness of the nature aforesaid (not being short-term credits) owing to him against which he can legally apply and elects to apply such moneys, the same shall be applied by the Foreign Bank Creditor against such short-term credit or credits as he may select. Promptly upon application of such moneys in reduction of any short-term credit or credits the Foreign Bank Creditor shall notify the relative debtor or debtors and the German Committee and his own Foreign Bankers' Committee of such application and the indebtedness in respect of the short-term credit or credits against which such moneys are so applied shall thereafter be permanently repaid accordingly.

25. Execution and Short Title

(1) The original parts of this Agreement executed by the German Committee, the Bank deutscher Laender and the respective Foreign Bankers' Committee shall be forwarded through the respective Central Banks to the Bank for International Settlements for retention by that institution in safe custody for all parties interested therein.

(2) For purposes of reference this Agreement may be referred to as "THE GERMAN CREDIT AGREEMENT OF 1952."

26. Notices

Any notice in writing, formal or otherwise, required to be given pursuant to any of the provisions of this Agreement shall be deemed to have been duly given if sent by post,
telegram, radiogram or cablegram (charges prepaid) to or delivered at an address furnished by the party entitled to receive the notice or if no such address shall have been furnished, the said party's usual place of business.

27. [Deleted.]

28. **Headings**

   Headings are intended for reference only and are not intended in any way to govern the construction of this Agreement.

29. **Requisite Signatures**

   This Agreement shall become effective when signed by the German Committee and the Bank deutscher Laender and when signed and (where appropriate) ratified by Foreign Bankers' Committees representing Foreign Bank Creditors whose short-term credits constitute 75 per cent. in face value of the short-term credits outstanding.

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**SUB-ANNEX TO ANNEX III**

**EXCHANGE OF LETTERS BETWEEN CREDITOR AND DEBTOR REPRESENTATIVES RECORDING SUPPLEMENTARY UNDERSTANDINGS REACHED BY THEM WITH RESPECT TO ANNEX III**

To: The American Committee for Standstill Creditors of Germany.
   The British Banking Committee for German Affairs.
   The Swiss Banking Committee for the German Credit Agreement.

Dear Sirs,

_The German Credit Agreement of 1952_\(^1\)

We refer to the statements which have been made by the Tripartite Commission on German Debts on behalf of the Governments represented thereon and by the German Delegation on behalf of the Government of the Federal Republic of Germany that their Governments are prepared by appropriate administrative action in Germany to permit the German Credit Agreement of 1952 (contained in Annex III to the Agreement on German External Debts and below referred to as "the 1952 Agreement") to come into force on ratification of the Agreement on German External Debts by the Federal Republic of Germany, except that foreign currency payments provided for in the 1952 Agreement, other than those normally arising pursuant to Clause 5 thereof, shall be postponed until the Agreement on German External Debts (below referred to as the "Intergovernmental Agreement") comes into force in accordance with Article 35 thereof.

We also refer to the forms of Adherence proposed to be exchanged conditionally between creditors and debtors under the 1952 Agreement in which reference is made

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\(^1\) See p. 152 of this volume.
(inter alia) to the postponement of foreign currency payments under that Agreement as mentioned above and the debtors agree that upon the 1952 Agreement becoming fully effective pursuant to the said Intergovernmental Agreement, they will make prompt payment to the creditors of all foreign currency payments under the 1952 Agreement which shall in the meantime have been postponed.

We hereby agree that the 1952 Agreement shall come into force upon compliance with the provisions of Clause 29 thereof and upon ratification of the said Intergovernmental Agreement by the Federal Republic of Germany, but shall cease to become effective if it is not included in the said Intergovernmental Agreement when the latter Agreement comes into force. Accordingly Clause 2 of the 1952 Agreement shall be read as if the date when compliance shall have been made with Clause 29 of that Agreement and when ratification of the Intergovernmental Agreement shall have been made by the Federal Republic of Germany were inserted therein as the date upon which the provisions of the 1952 Agreement shall come into force.

We further agree that, if the 1952 Agreement is included in the said Intergovernmental Agreement when the latter Agreement comes into force in accordance with Article 35 thereof, we will do all such things as are within our respective powers to enable prompt payment to be made to the creditors of all foreign currency payments under the 1952 Agreement which shall in the meantime have been postponed.

We confirm that, by agreement between the parties to the 1952 Agreement, the following amendments are to be made to the text of that Agreement as contained in Appendix 5 to the Final Report of the Conference on German External Debts and are to be incorporated in the Agreement in the form in which it is signed, viz:

Paragraph (7) of Preamble.—The words "Government of the Federal Republic or other appropriate authority" to be substituted by the words "appropriate governmental authorities in the Federal Republic of Germany and the Western Sectors of Berlin."

The word "and" to be inserted at the end of sub-paragraph (ii) and the same word to be deleted at the end of sub-paragraph (iii).

Sub-paragraph (iv) to be preceded by the words "and shall ensure as far as possible that."

Clause 1: Definitions.—The words "and relates to the identification of territory and not to governmental jurisdiction" to be added at the end of the definition of "Federal Republic."

Clause 20: Arbitration.—In sub-Clause (1) the words "who have adhered to this Agreement" to be inserted after the words "German Debtors".

Clause 22: Adherence.—In sub-Clause (1) the words "confirming his adherence" to be deleted and the words "confirming his adherence to this Agreement and (if the creditor so requests) agreeing that he will adhere to any renewal or extension thereof that may be signed by the German Committee and the Bank deutscher Länder" to be inserted at the end of the second sentence of that sub-Clause.

We, the undersigned German Committee, hereby consent, in accordance with Clause 22 (4) of the 1952 Agreement, to your Committee's extending the time within which any one or more foreign bank creditors in your respective countries may adhere to the 1952 Agreement.
Agreement to enable such adherence to be made at any time within two months of the said Intergovernmental Agreement coming into force.

Yours faithfully,

(Signed) For and on behalf of the German Committee for Standstill Debts

(Signed) For and on behalf of the Bank deutscher Länder

(Sent on the 19th of February, 1953.)

To: The German Committee for Standstill Debts.  
The Bank deutscher Länder.

Dear Sirs,

The German Credit Agreement of 1952

We acknowledge receipt of your letter with regard to the arrangements for the bringing into force of the above Agreement and the temporary postponement of payment to the creditors of foreign currency payments provided for in that Agreement, other than those normally arising pursuant to Clause 5 thereof, and hereby confirm our acceptance of the terms and conditions set out in your letter.

In particular we agree—

(a) that the 1952 Agreement shall come into force upon compliance with the provisions of Clause 29 thereof and upon ratification of the Agreement on German External Debts (below referred to as the "Intergovernmental Agreement") by the Federal Republic of Germany but shall cease to become effective if it is not included in the said Intergovernmental Agreement when the latter Agreement comes into force;

(b) that all foreign currency payments provided for in the 1952 Agreement, other than those normally arising pursuant to Clause 5 thereof, shall be postponed until the Intergovernmental Agreement comes into force in accordance with Article 35 thereof; and

(c) that the amendments to the text of the 1952 Agreement set out in your letter are to be incorporated in the Agreement in the form in which it is signed.

This letter may be executed in several counterparts which taken together will constitute one and the same instrument.

Yours faithfully,

(Signed) For and on behalf of the American Committee for Standstill Creditors of Germany

(Signed) For and on behalf of the British Banking Committee for German Affairs

(Signed) For and on behalf of the Swiss Banking Committee for the German Credit Agreement

(Sent on the 20th of February, 1953.)
ANNEX IV.

[Note: The text reproduced hereunder is the text of Appendix 6 to the Report of the Conference on German External Debts with such changes as were required to achieve uniformity in the three languages.]

AGREED RECOMMENDATIONS FOR THE SETTLEMENT OF CLAIMS ARISING OUT OF GOODS AND SERVICES TRANSACTIONS, OF CERTAIN CLAIMS ARISING FROM CAPITAL TRANSACTIONS AND OF VARIOUS OTHER CLAIMS

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SECTION A.—CLASSIFICATION OF CLAIMS

The settlement shall include:

Article 1

Monetary claims arising out of international transactions for goods and services, as well as monetary claims of a similar character, against private or public debtors which became due before 8th May, 1945 (old commercial claims).

These cover, in particular—

(1) Claims arising out of supplies of goods;
(2) Claims arising out of prepayments for supplies of goods and services;
(3) Incidental charges in connection with the exchange of goods, in so far as they are not contained in the invoice; these also cover freight and similar items;
(4) Claims arising out of services, in so far as they are not comprised in other items; these also cover directors' and trustees' fees;

(5) Claims in respect of industrial property rights, copyrights, technical aid and similar claims;
(6) Claims for damages in connection with goods and services transactions which arose and became due prior to 8th May, 1945;
(7) Wages, salaries and pensions based on employment, and commission;
(8) Payments arising out of social insurance;
(9) Claims arising out of private insurance business.

Claims not specifically mentioned in paragraphs (1) to (9) which clearly fall within the scope of the international goods and services transactions dealt with in this section, shall be allotted to the corresponding items.

Article 2

The following claims which arose out of financial transactions before 8th May, 1945, including any interest outstanding, against non-public debtors:

(1) Claims expressed in German currency without gold or non-German currency clause;
(2) Claims expressed either in foreign currency or in German currency with gold or foreign currency clause, which—
   (a) are owed by natural persons and not contracted in the name of a firm belonging to the debtor, irrespective of duration and amount; or
   (b) are owed by German firms and belong to natural or legal persons, or groups of persons, who are directly or indirectly owners of the German firms concerned, irrespective of whether the claims are in the form of non-marketable bonds or in any other form; or
   (c) originally had a duration stipulated at less than 5 years; or
   (d) were originally below the sum of U.S. $40,000 or its equivalent (at the rate of exchange on 1st July, 1952), irrespective of duration.
(3) Claims not specifically mentioned in (1) and (2) but clearly falling within the scope of claims arising from financial transactions and not falling under the settlement proposals in Annexes I to III to the Agreement on German External Debts.

(4) By way of exception, claims arising out of mortgages and land charges. (Grund- und Rentenschulden) where the debtor or land owner is a Gemeinde (municipality) or another public institution and the charge does not form part of a loan contract.

See Sub-Annex\(^1\) regarding the Swiss franc land charges (Schweizer Frankengrundschulden) pursuant to the German-Swiss Agreements of 6th December, 1920, and 25th March, 1923.

**Article 3**

Income of foreign creditors from investments in the Federal Republic of Germany or Berlin (West), which was due before 8th May, 1945, in so far as it is not dealt with in the Agreement on German External Debts or in another Annex thereto.

This includes, in particular—

(1) Dividends on securities issued within the Federal Republic or Berlin (West);

(2) Profits;

(3) Rents.

**Article 4**

Monetary claims which arose prior to 8th May, 1945, not dealt with in other Annexes to the Agreement on German External Debts and not mentioned in Articles 1-3 of this settlement proposal, but which by their character fall within the scope of this settlement proposal.

**Article 5**

Exceptions—Excluded from this settlement proposal are, until otherwise stipulated, claims against the City of Berlin and against public utilities located in the area of and controlled by Berlin.

**SECTION B.—GENERAL PRINCIPLES**

**Article 6**

**CONVERSION INTO DEUTSCHE MARK**

(1) Claims expressed in Reichsmark shall be settled after the foreign creditor has declared his agreement to his claim being converted into Deutsche Mark at the same

\(^1\) See p. 232 of this volume.
rate as would apply in the case of a similar claim of a domestic creditor. This applies also to such monetary claims expressed in Goldmark or Reichsmark with a gold clause as have no specific foreign character within the meaning of the following paragraph (2). The German Foreign Exchange Control Authorities shall continue to issue any licence necessary for a conversion pursuant to the Conversion Law or for a modification of the conversion rate pursuant to the legislation on Deutsche Mark balance sheets, to the extent that the creditor is entitled to such conversion or modification.

(2) The principle is accepted that such monetary claims arising from financial transactions and mortgages, expressed in Goldmark or in Reichsmark with a gold clause as had a specific foreign character, shall be converted into Deutsche Mark at the rate of 1 Goldmark, or 1 Reichsmark with a gold clause, = 1 Deutsche Mark.

The definition of the criteria constituting the specific foreign character of such claims shall be the subject of further negotiation. The contracting parties reserve their position as to the question in which cases and in which way the above principle can be implemented. It shall lie with the German Delegation to decide how the solution arrived at can be fitted into the framework of the German laws on currency reform and on the equalisation of war and post-war burdens.

The above-mentioned negotiations between a German Delegation and the creditors' representatives should take place not later than 31st October, 1952.

Article 7

CLAIMS EXPRESSED IN FOREIGN CURRENCY WITH GOLD CLAUSES

For the purpose of the settlement of these claims the following principles shall apply mutatis mutandis:

In the case of debts expressed in gold dollars or gold Swiss francs, the debts shall be computed on the basis of 1 currency dollar equalling 1 gold dollar and 1 currency Swiss franc equalling 1 gold Swiss franc, and the new contracts shall be expressed in currency dollars or currency Swiss francs respectively.

In the case of other debts with gold clauses (excluding German currency debts with gold clauses—see Article 6, paragraph 2) the amounts due shall be payable only in the currency of the country in which the loan was raised or the issue was made (referred to below as "the currency of issue"), the amount due being computed as the equivalent at the rate of exchange when the amount is due for payment of a sum in U.S. dollars which shall be arrived at by converting the amount of the obligation expressed in the currency of issue into U.S. dollars at the rate of exchange ruling when the loan was raised or the issue made. The amount of currency of issue so reached shall, however, not be less than if it were computed at the rate of exchange current on 1st August, 1952.

(1) See now Annex VII.
Article 8

COMPUTATION IN DEUTSCHE MARK OF CLAIMS EXPRESSED IN FOREIGN CURRENCY

Claims expressed in foreign currency shall be computed in Deutsche Mark based on the parity of the day preceding the date of repayment, as notified to the International Monetary Fund. Where no parity is laid down, the computation shall be made according to the mean rate of exchange quoted by the Bank deutscher Länder on the day preceding the date of payment.

Article 9

KONVERSIONSKASSE FOR GERMAN EXTERNAL DEBTS

I.—The German Delegation was of the opinion that the German debtor was definitively discharged of his debt to the extent of his payments into the Konversionskasse. The creditor representatives, on the other hand, were of the opinion that as a rule such payments into the Konversionskasse would not be recognised as discharging the German debtors under the laws of their respective countries.

In their desire to put an end to fruitless legal discussions, both sides agreed to seek a practical solution which would permit settlement of the claims of the creditors without unnecessary formalities.

Accordingly the German Delegation and the foreign creditor representatives, while reserving their respective legal positions, have agreed as follows:

(1) The German debtor undertakes to settle the creditor’s claim in accordance with the new settlement terms, regardless of the payments made to the Konversionskasse, to the extent that the creditor—
   (a) has not in fact received from the Konversionskasse the payment corresponding to that made by the debtor to it, or
   (b) refused to accept a payment or performance from the Konversionskasse based on a payment made by the debtor, on the ground that he (the creditor) was unwilling to recognise such payment or performance as discharging the debt.

In the case of securities subject to the validation law for German Foreign Currency Bonds, the arrangement set out above shall apply only to such Bonds and Coupons as shall have been validated pursuant to the provisions of such law and of any agreement entered into with the country of issue respecting the application of such law, or with respect to the declaratory decrees (Feststellungsbescheide) which the creditor shall have received pursuant to the said law.

(2) The amounts so paid by the debtors shall be reimbursed to them out of German public funds.

(3) Payments made by the debtor into the Konversionskasse which do not fall within the provisions of sub-paragraph (1) shall be considered as discharging the debt to the extent of such payments.

II.—Subject to the general provisions contained in paragraph I above:

(a) the Federal Government agrees to assume liability for full payment in the due currencies to the foreign creditors of the sums paid into the Konversionskasse by
debtors in the Saar in respect of which the foreign creditors have not received foreign exchange payments or been otherwise satisfied;

(b) the Federal Government agrees to assume liability for payment in the respective foreign currencies to the foreign creditors of 60 per cent. of the sums paid into the Konversionskasse by debtors in Austria, France, Belgium and Luxemburg in respect of which the foreign creditors have not received foreign exchange payments or been otherwise satisfied;

c) the Federal Government will negotiate with the foreign creditors' representatives before the end of December 1952 as regards the implementation of these undertakings.

Article 10

PAYMENTS INTO THE DEUTSCHE VERRECHNUNGSKASSE

The negotiating parties have discussed the payments made by German debtors to the Deutsche Verrechnungskasse which were not paid out to the creditors.

In view of the variations in the terms of the contracts between Germany and other countries, which are not yet executed, the creditors and debtors are of the opinion that the questions which have not been clarified should be solved by Governmental negotiations between the Federal Republic of Germany and the States concerned.

Article 11

HARDSHIP CLAUSE

Where and in so far as the financial position of a debtor has been affected by war or the repercussions of war or other extraordinary conditions, to such an extent that the debtor cannot be expected to settle his obligations in accordance with the conditions and within the time-limits laid down in this settlement proposal, he should be granted relief. This shall be equitable and take into account the debtor's special circumstances. The relief shall be in accordance with the concessions which the debtor has been or may be granted by a German creditor on similar grounds under German Law, especially under the legislation for the Relief of Debtors (Vertragshilferecht).

Where the creditor and debtor do not reach agreement, the competent German Court shall make a decision. The creditor shall have the option of appealing against the decision of the Lower Court under the provisions of German Law, or, within a period of 30 days after notice of the Court decision has been served, of appealing to the Court of Arbitration constituted according to the provisions of Article 17. The decision of the Court of Arbitration shall be binding.

Article 12

SUCCESSION TO CLAIMS AND DEBTS BY OPERATION OF LAW

(1) Where a foreign creditor has acquired or shall hereafter acquire claims of another foreign creditor by legal succession on death, the claim shall be treated within the
framework of this settlement proposal in the same manner as if the original creditor continued to be entitled to it. The same shall apply to similar cases of succession by operation of law.

(2) Any person who, by law or by a binding order, is under an obligation to take over the debt, or who has taken it over by contract, shall be liable for the debt as the successor of the debtor.

Article 13

CHANGE OF CREDITOR

(1) The creditor may assign to some other foreigner the total amount of his claim for which he may demand payment to a foreign country, provided that the assignment—
(a) is made to a resident within the same currency area,
(b) does not entail any modification of the terms underlying the claim,
(c) does not result indirectly or directly in settlement of a claim.

The competent German authorities will give permission for the assignment if the conditions laid down in (a) to (c) are fulfilled. Over and above this, they shall give favourable consideration to well-founded applications by a foreign creditor for approval of an assignment of part of his claim.

By the acquisition of the claim the new creditor shall have the same rights and obligations as the original creditor. Should the new creditor demand from the debtor settlement of the claim in Deutsche Mark, the regulations for “original blocked accounts” shall apply to his blocked account after a period of three months has elapsed since the change of creditors occurred.

(2) As far as the assignment of claims is concerned for which the creditor can demand payment only in Deutsche Mark, the regulations concerning the use and assignment of such claims in force at the time in the territory of the Federal Republic of Germany and Berlin (West) shall be decisive (see Article 19).

Article 14

PARTICIPATION OF CREDITORS AND DEBTORS IN THE DEBT SETTLEMENT, FOREIGN CURRENCY REGULATIONS, DEBTOR OBLIGATIONS

(1) Creditors and debtors desiring to settle a claim and obligation under the terms of this settlement proposal, must exchange written declarations to this effect. The creditor’s declaration of participation may also be made through an agency established in the creditor country for the transmission of such declarations.

(2) The valid Exchange Control Regulations in Germany and abroad, taking into consideration the special facilities and assurances specified in this settlement proposal, shall apply to the relations between the creditor and debtor.

(3) Where the debtor refuses to make a declaration but the creditor declares himself bound to his own declaration of participation in relation to the debtor, the German Foreign Exchange Authorities shall at the request of the creditor issue to him within the limits of his declaration of participation any necessary foreign exchange licences.

Such foreign exchange licences shall enable the creditor to sue for and recover his claims against the debtor to the extent and in the manner provided in this settlement proposal for such claims.
In so far as the creditor has not obtained satisfaction by judicial execution, he may evoke his declaration of participation.

The issue of the foreign exchange licence shall not constitute a decision on the existence and amount of the claim.

(4) Should the creditor require payment in Deutsche Mark, he shall be obliged to make a written declaration to the debtor that he accepts such payment in settlement of his claim.

(5) Where the creditor is entitled to require, and requires, payment in a foreign country, the debtor shall be obliged to take all the steps necessary under valid German Foreign Exchange Control Regulations to procure the necessary instruments of payment in foreign currency.

Article 15

SETTLEMENT OF DISPUTES

Except as otherwise expressly provided in this settlement proposal, any disputes between creditor and debtor as to the existence and the amount of any claims shall be decided by a Court of Law, or a Court of Arbitration agreed upon by the parties, which is competent in view of the legal relationship between the parties.

Article 16

MIXED COMMISSION

A Mixed Commission, which shall be composed of an equal number of representatives of the creditor countries, on the one hand, and of the Federal Government, on the other hand, as well as of one Chairman, shall be set up to decide differences as to the interpretation of this settlement.

It is recommended that the Commission shall be competent to decide questions of fundamental importance for the interpretation of this settlement which are submitted to it by the Government concerned.

Where a Government is of the opinion that a case, which is pending in the Court of Arbitration (Article 17), is of fundamental importance, it is recommended that the Government may require the Court of Arbitration to refer the case to the Mixed Commission. The Court of Arbitration should have the same right.

Article 17

COURT OF ARBITRATION

The Court of Arbitration referred to in Article 11 shall be composed of one arbitrator appointed by each of the parties. The two arbitrators shall elect a chairman. Should they not be able to agree on the person, they shall request the President of the International Chamber of Commerce to appoint him.
The arbitrators shall possess the qualifications required for holding judicial office in their respective countries; this shall not apply to the Chairman.

The Court of Arbitration shall decide upon its own procedure. It shall also decide which party shall bear the costs.

The German Delegation will advise the Federal Government to make provision that in cases where the parties are unable to make an advance of costs or bear the costs as fixed, the payment of such costs shall be adequately settled.

On the joint application of the parties, the Court of Arbitration may also decide in other disputes between creditors and debtors.

Detailed provisions relative to the Court of Arbitration proposed in this Article shall be agreed upon in the Governmental discussions for the implementation of the recommendations of the Conference on German External Debts.

Article 18

PAYMENT IN DEUTSCHE MARK

Payment in Deutsche Mark according to this settlement shall be understood as meaning payment in German currency into an account held by a foreign creditor or opened in his name at his request with a financial institution in the territory of the Federal Republic of Germany or Berlin (West). The account shall be subject to the German Foreign Exchange Control Regulations from time to time in force.

This shall not exclude the issue of special licences for other forms of payment.

Article 19

UTILISATION OF BLOCKED DEUTSCHE MARK ACCOUNTS

(1) The foreign creditor of an “original credit account” in German currency shall be permitted to utilise it within the framework of the legal provisions in force in the Federal Republic of Germany and Berlin (West) at the time this settlement comes into effect, including the right to assign such credits to another person outside Germany.

(2) The foreign creditor of an “acquired credit account” in German currency shall continue to be permitted to assign his credit to another person outside Germany.

The foreign creditor of such account shall continue to be permitted to utilise his credit mainly for long-term investments in the German economy.

(3) The competent German authorities shall draw up the regulations necessary to prevent the illegal disposal of credits in German currency and to preclude any other abuses detrimental to the German economy and to the creditors as a whole. Utilisations permitted by a general licence at the time this settlement comes into force may, in order to ensure proper control, be made dependent upon the issue of a separate licence without thereby restricting the general possibilities of utilisation.

(4) The competent German authorities will endeavour to provide facilities for the utilisation of blocked Deutsche Mark accounts to such an extent as the foreign exchange
situation shall permit. They will aim at simplifying the licence procedure as much as possible.

(5) The Federal Government shall set up an Advisory Committee composed of an equal number of representatives of the main creditor countries, on the one hand, and of representatives of the Federal Republic, on the other hand, for the discussion of general matters in connection with the utilisation of blocked Deutsche Mark accounts.

Article 20

EFFECT OF THE SETTLEMENT ON EXISTING CLAIMS

In the absence of any contrary provision, this settlement shall not modify the claims dealt with therein.

Article 21

CURRENCY OPTION CLAUSES WITHOUT A GOLD CLAUSE

The decision as to the currency in which claims with currency option clauses (without a gold clause) shall be discharged, shall be reserved to intergovernmental arrangements.

Article 22

CONCESSIONS IN FAVOUR OF DEBTORS

The creditors are of the opinion that the concessions granted under the terms of this settlement should accrue to the benefit of the debtors.

Article 23

EFFECTIVE CONVERSION

(1) A change in the terms of the debt relationship between creditor and debtor shall be considered as an effective conversion, if it was made before 9th June, 1933, or if it occurred on or after 9th June, 1933, as a result of free negotiation or on account of the insolvency or threatened insolvency of the debtor.

(2) It shall be presumed that there is no effective conversion resulting from free negotiation if at the time of conversion the creditor was represented by the German Custodian of Enemy Property or by a similar person appointed by the German authorities without his consent.

(3) In the case of bonded claims, a conversion shall likewise not be considered an effective conversion if the creditor has merely accepted a unilateral offer made by the debtor.

(4) The burden shall be on the debtor to prove that the conversion was an effective conversion.

(5) In the case of Church loans, any conversion shall be considered effective.
**Article 24**

**CURRENCY OF PAYMENT**

Provisions as to the currency in which monetary claims shall be discharged, are reserved to intergovernmental arrangements.

**Article 25**

**VALIDATION LAWS FOR GERMAN BONDS**

This settlement shall not apply to bonds and interest coupons which require to be validated under the German Validation Law for Bonds of 19th August, 1949 (Wirtschaftsgesetzbl., page 295) and the Validation Law for German External Bonds of August, 1952, until these bonds and interest coupons have been validated pursuant to the provisions of such laws or any agreement which may be concluded with the country of issue with regard to such laws.

**SECTION C.—SETTLEMENT OF OLD COMMERCIAL CLAIMS (ARTICLE 1)**

**Article 26**

**CLAIMS ARISING OUT OF SUPPLIES OF GOODS (ARTICLE 1 (1))**

(1) The creditor shall be entitled to demand payment to a foreign country as follows:

(a) in respect of one-third of the amount owed as from the beginning of the year 1953,

(b) in respect of the remaining two-thirds of the amount owed in ten equal yearly instalments, starting on 1st January, 1954.

(2) The creditor may up to 31st December, 1953, demand that the debtor, instead of effecting payment to a foreign country as stipulated under (1) (b), shall, within three months after such request pay the balance of his claim (two-thirds of the original amount owed) in Deutsche Mark. It shall be left to the creditors and debtors in special circumstances to agree upon extension of the time limit for a further three months.

(3) After 31st December, 1953, payment of the balance of the claim in Deutsche Mark may be demanded only in agreement with the debtor.

**Article 27**

**CLAIMS ARISING OUT OF PREPAYMENTS FOR SUPPLIES OF GOODS AND SERVICES (ARTICLE 1 (2))**

(1) Creditors and debtors should, where necessary, with the approval of their competent authorities, agree upon a settlement appropriate to the circumstances of the case.

(2) Should it not be possible to reach agreement, the creditor shall be entitled to ask the debtor for payment to a foreign country of the amount owed in ten equal yearly instalments, starting as from 1st October, 1953.
(3) The creditor may up to 31st December, 1953, demand that the debtor, instead of effecting payment to a foreign country as stipulated under (2), shall, within three months after such request, pay the total amount of the claim in Deutsche Mark. It shall be left to the creditors and debtors, in special circumstances, to agree upon extension of the time limit for a further three months.

(4) After 31st December, 1953, payment of the claim in Deutsche Mark may be demanded only in agreement with the debtor.

Article 28

WAGES, SALARIES AND PENSIONS BASED ON EMPLOYMENT, COMMISSION (ARTICLE 1 (7))

(1) The creditor shall be entitled to demand from the debtor payment to a foreign country of the amount owed in five equal yearly instalments, starting on 1st January, 1953. On application by the claimant, or by a private or governmental organisation which the claimant has duly authorised to act on his behalf, to the competent German authorities this settlement may also include such amounts as, according to proof furnished, have been paid temporarily into an account with a financial institution located in the Federal territory or Berlin (West) by the claimant or by his employer to the claimant's credit.

It shall lie with the competent German authorities to give favourable consideration to the possibility of an early payment to a foreign country in cases of hardship.

(2) The creditor may, at any time, demand that the debtor shall, within three months after being so requested, pay, in Deutsche Mark, the balance of the claim which has not yet been transferred to a foreign country.

Article 29

SERVICES FROM SOCIAL INSURANCE (ARTICLE 1 (8))

These services are already or may become the subject of bilateral agreements and negotiations. It is recommended that the arrears of such payments be incorporated into these agreements.

Article 30

CLAIMS ARISING OUT OF PRIVATE INSURANCE BUSINESS (ARTICLE 1 (9))

(1) Claims and debts of either Party arising out of insurance or reinsurance contracts or agreements of any kind, or in connection with such contracts or agreements, may be the subject of bilateral arrangements.

Such claims and debts may be settled only in accordance with the relevant bilateral arrangements.

(2) Where no such bilateral arrangements for direct insurance exist or have been concluded by 31st March, 1953, claims of foreign insurance holders against insurance companies in the Federal Republic of Germany and Berlin (West) shall be settled pursuant to the following provisions:
(a) Claims arising out of life insurance contracts pursuant to the provisions of Articles 33 and 34.

(b) Claims arising out of damage, accident or third party insurance contracts:

\( (aa) \) where the insurance contract was concluded for the safeguarding of assets in the Federal Republic of Germany or Berlin (West), payment shall be effected in Deutsche Mark pursuant to the Foreign Exchange Regulations in force in the Federal Republic of Germany and Berlin (West);

\( (bb) \) all other such claims shall be settled pursuant to the provisions of Article 31.

(c) Claims arising out of all types of insurance contracts for payments of pensions pursuant to the provisions of Article 28.

Details of the provisions under Paragraph (2) shall be laid down in the Intergovernmental Agreement.

**Article 31**

OTHER OLD COMMERCIAL CLAIMS (ARTICLE 1, (3), (4), (5) AND (6))

(1) The creditor shall be entitled to demand from the debtor payment to a foreign country of the amount owed in ten equal yearly instalments, starting on 1st July, 1953.

(2) The creditor may, up to 31st December, 1953, demand that the debtor, instead of effecting payment to a foreign country as stipulated under (1) above, shall, within three months after such request pay the amount owed in Deutsche Mark. It is left to the creditors and debtors, in special circumstances, to agree upon extension of the time limit for a further three months.

(3) After the 31st December, 1953, the creditor may demand payment of his claim in Deutsche Mark only in agreement with the debtor.

(4) In certain special cases the creditor and debtor may agree upon settlement in some other form, subject to approval by the competent authorities.

**Article 32**

JOINT PROVISIONS FOR OLD COMMERCIAL DEBTS (ARTICLE 1, (1) TO (9))

(1) **Arrears of Interest**

Where interest is owing on a claim, the following interest rates, without allowing for compound interest, shall apply for the computation of the arrears of interest owed up to 31st December, 1952:

\( (a) \) where the annual interest rate has heretofore been 4 per cent. or less, the interest rate shall remain the same as before;

\( (b) \) where the annual interest rate has heretofore been more than 4 per cent., this shall be reduced to \( \frac{2}{3} \) but not less than 4 per cent. per annum.

The reduced amount of interest arrears shall be added to the principal.

(2) **Future Interest**

No interest shall be due for the period from 1st January, 1953, to 31st December, 1957.
Where interest was due for the period up to 1st January, 1953, the amount of the claims for the time being outstanding on or after 1st January, 1958, shall bear interest. The rate of interest shall represent 75 per cent. of the due rate.

The new rate of interest shall, however, be not less than 4 per cent. nor more than 6 per cent. per annum. Where heretofore a rate of interest of 4 per cent. per annum or less was due, this rate shall remain. The interest shall be paid at the end of each year in non-German currency together with the amortisation amount.

(3) Special Deposit

(a) As far as claims of groups in Article 1, (1) to (7), are concerned the creditor may, instead of specifying payment in accordance with Article 26, 27, 28 or 31, require the debtor to effect payment into a Deutsche Mark Deposit Account maintained in his name with an agency to be designated by the competent German authorities, if his claim is proved to be jeopardised.

Should the debtor in respect of such a request invoke the hardship clause (see Article 11), the demand of the creditor for a deposit shall take effect only when the invocation of the hardship clause by the debtor has been finally rejected.

(b) The debtor may pay the amount of a debt covered by the categories specified by paragraph (a) into such a deposit in favour of the creditor, provided he can furnish proof that—

(aa) he (the debtor) is the heir or executor of the original debtor and the estate is due to be apportioned;

(bb) he (the debtor) is a company going into liquidation;

(cc) the receiver or the composition administrator of the debtor is paying out dividends on bankruptcy or composition settlements.

(c) Payment into a deposit account in accordance with the above-mentioned provisions shall discharge the debtor from his debt. In this case, the creditor shall, in respect of payment to a foreign country, be accorded the same treatment as if the amount on deposit (including interest, if the deposit agency pays interest) were in the hands of the debtor.

(d) The creditor shall have the right, at any time, to demand transfer of an amount paid into a special deposit account to his Deutsche Mark account (Article 18).

(4) Small Claims

In cases of claims for small amounts, the competent German authorities shall give favourable consideration to applications of interested parties for approval of an early payment to a foreign country.

(5) Payments for Supplies of Goods and Services where the Creditor can furnish proof that the payment into his account was effected without his consent

A creditor who furnishes proof that a payment in respect of goods and services to his bank account or Postscheckkonto (Article 1) was effected without his consent shall, by payment into such an account, not forgo his right of having the payment dealt with under Section C.
SECTION D.—SETTLEMENT OF CLAIMS ARISING OUT OF PRIVATE FINANCIAL TRANSACTIONS
(Article 2)

Article 33

Claims in German currency arising out of financial transactions, including such claims as are expressed in Goldmark or Reichsmark with a gold clause and are not of a specific foreign character (Article 6), may continue to be discharged under the agreed contractual interest and amortisation terms, pursuant to the foreign exchange regulations in force at the time of payment in the Federal Republic of Germany and Berlin (West). According to the regulations at present valid, payment may be made only in Deutsche Mark.

Article 34

Claims expressed in a foreign currency, arising out of financial transactions, and those expressed in Goldmark or Reichsmark with a gold clause but which are of a specific foreign character (Article 6) shall be settled as follows:

1) Where the debtor has effected payments to the "Konversionskasse für deutsche Auslandsschulden," the amounts of unpaid principal and interest shall be determined in accordance with the provisions of Article 9.

2) Where interest is owing, the following interest rates without allowing for compound interest shall be applicable for the computation of the arrears of interest owing up to 31st December, 1952:

(a) where the annual interest rate has heretofore been 4 per cent. or less, the interest shall remain the same as before;

(b) where the annual interest rate has heretofore been more than 4 per cent., this shall be reduced to $1/3$ but not to less than 4 per cent. per annum.

3) The amount of arrears of interest computed in accordance with paras. (1) and (2) shall be added to the undischarged claim. The resulting new principal shall bear interest as from 1st January, 1953, at a rate which shall represent 75 per cent. of the interest rate in force at the time this settlement comes into effect. The new interest rate shall, however, be

(a) in the case of bonded claims, at least 4 per cent. and at the most $5 1/4$ per cent. per annum,

(b) in the case of other claims, at least 4 per cent. and at the most 6 per cent. per annum.

Where an interest rate of 4 per cent. or less has been owed heretofore, this rate shall remain the same.

The interest shall be payable to a foreign country at least semi-annually.

4) In the case of any claims which have been the subject of an effective conversion that rate of interest agreed upon in the effective conversion shall form the basis for the computation of any reduction pursuant to paras. (2) and (3).

Interest reductions on which there is a time-limit shall be taken into consideration only for the period for which they were arranged.
(5) In the case of any claims which have been the object of a non-effective conversion, that rate of interest which would have been valid without this conversion shall form the basis for the computation of any reductions pursuant to paras. (2) and (3).

(6) The new principal shall be discharged as from 1st January, 1958, by payment to a foreign country as follows:

(a) during the first five years (1st January, 1958, to 31st December, 1962) at 3 per cent. per annum;
(b) during the next five years (1st January, 1963, to 31st December, 1967) at 8 per cent. per annum;
(c) during the subsequent three years (1st January, 1968, to 31st December, 1970) at 15 per cent. per annum.

Interest shall be computed on the principal outstanding from time to time.

(7) The creditor may demand up to 30th June, 1953, that arrears of interest computed in accordance with paras. (2) and (4) shall not be added to the principal according to para. (3) but shall be discharged by payment in Deutsche Mark. The debtor shall effect payment within six months after such request.

(8) Where small amounts are involved, the parties concerned may, in special cases, agree upon different terms of repayment with the approval of the competent German authorities.

(9) Creditors and debtors may, in accordance with the Foreign Exchange Regulations in force on the Federal Republic of Germany and Berlin (West), agree upon payment of the claim or part thereof in Deutsche Mark.

(10) The competent German authorities reserve, in cases of hardship, the right of giving favourable consideration to applications by the parties concerned for the approval of different terms of repayment.

(11) Foreign creditors of claims listed in Article 2, para. (2) (b), may ask for payment in Deutsche Mark of the interest due up to 31st December, 1952, without the reduction proposed in paragraph (2) of this Article, provided they accept such payment as discharge of their claim.

(12) If necessary, the principles laid down in Annex II to the Agreement on German External Debts may be adopted to supplement these rules for the settlement of claims arising out of bonds and interest coupons covered by this settlement proposal.

SECTION E.—ARREARS OF INCOME FROM INVESTMENTS (ARTICLE 3)

Article 35

Payments shall be made in Deutsche Mark pursuant to the foreign exchange regulations in force in the Federal Republic of Germany and Berlin (West).
SECTION F.—OTHER MONETARY CLAIMS (ARTICLE 4)

Article 36

These claims shall be settled pursuant to the provisions for the category of claims to which they either belong or, by their character, are most similar. In cases of doubt, the same practice shall apply as in the Payment Agreements.

SUB-ANNEX TO ANNEX IV

[NOTE: The text reproduced hereunder is the text of Annex A to Appendix 6 to the Report of the Conference on German External Debts.]

JOINT STATEMENT BY THE GERMAN AND SWISS DELEGATIONS CONCERNING THE NEGOTIATIONS ON THE SETTLEMENT OF THE SWISS FRANKLAND CHARGES (SCHWEIZER FRANKENGRUNDSCHULDEN)

Discussions were held at Freiburg i.B. on 10th-11th June, 1952, in implementation of the statement made on 20th March, 1952, by the creditor and debtor representatives—for the attention of the London Debt Conference. These negotiations could not, however, be brought to a conclusion. The London Conference was informed of this by a statement on 11th June, 1952.

Owing to various circumstances it has so far proved impossible to continue the negotiations. The parties will, however, resume the discussions, in consultation with the "Vertrauensstelle," at the earliest possible date. The German Delegation will inform the London Conference of their results in good time before the signing of the general Governmental Agreement on the settlement of German External Debts.

The Swiss side refers again to the exposé on the Swiss Franc land charges which was submitted to the Conference subsequent to the statements made by the Swiss Delegation in the Second Plenary Meeting on 29th February, 1952, and distributed under Ref. No. GD/V/Negotiating Committee D/Doc. 3 of 13th March, 1952. The Swiss side reserves the right, therefore, of making a further statement, dependent upon the results of the bilateral negotiations.

On the other hand, the German side is of the opinion that the Swiss Franc land charges fall under the terms of reference of the London Conference for the Settlement of German External Debts and that they are to be settled in accordance with the principles laid down by Negotiating Committee D.

Both sides agree that a Court of Arbitration, which is to be set up within the scope of the settlement of the debts dealt with in Negotiating Committee D, shall not be competent to deal with the Swiss Franc land charges but that the cases arising shall be submitted to the "Vertrauensstelle" set up pursuant to the German-Swiss Agreements.

London, 25th July, 1952

Paul Leverkühn

Koenig
ANNEX V

[NOTE: The text reproduced hereunder is the text of Appendix 7 to the Report of the Conference on German External Debts.]

AGREED RECOMMENDATIONS FOR THE TREATMENT OF PAYMENTS MADE TO THE KONVERSIONSKASSE

I. The German Delegation was of the opinion that the German debtor was definitively discharged of his debt to the extent of his payments into the Konversionskasse. The creditor representatives, on the other hand, were of the opinion that as a rule such payments into the Konversionskasse would not be recognised as discharging the German debtors under the laws of their respective countries.

In their desire to put an end to fruitless legal discussions, both sides agreed to seek a practical solution which would permit settlement of the claims of the creditors without unnecessary formalities.

Accordingly, the German Delegation and the foreign creditor representatives while reserving their respective legal positions, have agreed as follows:

(1) The German debtor undertakes to settle the creditor's claim in accordance with the new settlement terms, regardless of the payments made to the Konversionskasse, to the extent that the creditor—

(a) has not in fact received from the Konversionskasse the payment corresponding to that made by the debtor to it, or

(b) refused to accept a payment or performance from the Konversionskasse based on a payment made by the debtor, on the ground that he (the creditor) was unwilling to recognise such payment or performance as discharging the debt.

In the case of securities subject to the validation law for German Foreign Currency Bonds, the arrangement set out above shall apply only to such Bonds and Coupons as shall have been validated pursuant to the provisions of such law and of any agreement entered into with the country of issue respecting the application of such law, or with respect to the declaratory decrees (Feststellungsbescheide) which the creditor shall receive pursuant to the said law.

(2) The amounts so paid by the debtors shall be reimbursed to them out of German public funds.

(3) Payments made by the debtor into the Konversionskasse which do not fall within the provisions of sub-paragraph (1) shall be considered as discharging the debt to the extent of such payments.

II. Subject to the general provisions contained in paragraph I above:

(a) the Federal Government agrees to assume liability for full payment in the due currencies to the foreign creditors of the sums paid into the Konversionskasse by debtors in the Saar, in respect, of which the foreign creditors have not received foreign exchange payments or been otherwise satisfied;

(b) the federal Government agrees to assume liability for payment in the due currencies to the foreign creditors of 60 per cent. of the sums paid into the Konversionskasse
by debtors in Austria, France, Belgium and Luxembourg in respect of which the
foreign creditors have not received foreign exchange payments or been otherwise
satisfied; and

(c) the Federal Government will negotiate with the foreign creditors' representatives
before the end of December, 1952 as regards the implementation of these undertakings.

ANNEX VI

[Note: The text reproduced hereunder is the text of Appendix 8 to the Report of the Conference
on German External Debts.]

AGREED RECOMMENDATIONS FOR THE UTILISATION OF BLOCKED
DEUTSCHE MARK ACCOUNTS

The following detailed arrangements have been agreed upon for the utilisation of
blocked Deutsche Mark accounts:

(1) The foreign creditor of an "original credit account" in German currency shall be
permitted to utilise it within the framework of the regulations in force in the German
Federal Republic and Berlin (West) at the date on which this settlement comes into
effect, including the right to assign such accounts to another person outside Germany.

(2) The foreign creditor of an "acquired credit account" in German currency shall
continue to be permitted to assign his account to another person outside Germany.

The foreign creditor of such account shall continue to be permitted to utilise his
account mainly for long-term investments in the German economy.

(3) The competent German authorities shall draw up and issue the regulations
necessary to prevent the illegal disposal of accounts in German currency and to preclude
any other abuses detrimental to the German economy and to the creditors as a whole.
Utilisations permitted by a general licence at the time this settlement comes into force
may, in order to ensure proper control, be made dependent upon the issue of a special
licence without thereby restricting the general possibilities of utilisation.

(4) The competent German authorities will endeavour to provide facilities for the
utilisation of blocked Deutsche Mark accounts to such an extent as the foreign exchange
situation shall permit. They will aim at simplifying the licence procedure as much as
possible.

(5) The German Government shall set up an Advisory Committee composed of
an equal number of representatives of the main creditor countries, on the one hand,
and of representatives of the German Federal Republic, on the other, for the discussion
of general matters in connection with the utilisation of blocked Deutsche Mark accounts.
ANNEX VII

AGREEMENT ON GOLDMARK LIABILITIES AND REICHSMARK LIABILITIES
WITH A GOLD CLAUSE, HAVING A SPECIFIC FOREIGN CHARACTER

GERMAN DELEGATION FOR EXTERNAL DEBTS

243-18 Del. 39-2177/52.

To the Chairman of the Tripartite Commission
on German Debts
London, S.W. 1.

London, S.W. 1, 21st November, 1952

Mr. Chairman,

The negotiations provided for in Article V, paragraph 3, of Appendix 4 and in Article 6 of Appendix 6 to the Final Report of the London Debt Conference and referred to in the joint letter from Sir Otto Niemeyer and Herr Hermann J. Abs to the Tripartite Commission on German Debts, the purpose of which was to define the criteria constituting the specific foreign character of Goldmark liabilities and of Reichsmark liabilities with a gold clause or a gold option, took place in London from 21st October to 21st November, 1952, between the German Delegation for External Debts and a delegation of British, American, Swiss and Netherlands creditor representatives.

We are glad to be able to inform you that these negotiations resulted on 21st November, 1952, in an understanding which was recorded in an Agreement signed to-day. The Chairman of the two Delegations, in signing this Agreement, exchanged four letters dated 21st November, 1952, designed to clarify various questions in connexion with the Agreement, as follows:

1. Exchange of letters concerning the transfer of amounts due for payment on Goldmark claims with a specific foreign character.

2. Exchange of letters concerning the interpretation of the provision on a "trusteeship contract".

3. Exchange of letters concerning a question of interpretation in connexion with the 40th Executory Ordinance to the Currency Conversion Law.

4. Exchange of letters concerning a reservation by the creditors with respect to the conversion of claims against secondary debtors and the possibility of the withdrawal of this reservation.

We have the honour to submit to you one copy of the text of the Agreement in the German and English languages and of the four exchanges of letters, also in the German and English languages, with the request that you should approve them as soon as possible. We should be grateful if the Agreement and also the four exchanges of letters could be appended as sub-Annexes to Annexes I, II and IV of the Debt Agreement.

Please accept, Mr. Chairman, the expression of our highest esteem.

Hermann J. Abs
Head of the German Delegation for External Debts

N. Leggett
Chairman of Negotiating Committee B at the Conference on German External Debts
AGREEMENT ON GOLDMARK LIABILITIES AND REICHSMARK LIABILITIES WITH A GOLDMARK CLAUSE, HAVING A SPECIFIC FOREIGN CHARACTER

London, 21st November, 1952

By virtue of the reservations made in Article V, paragraph 3, of Appendix 4, and in Article 6 of Appendix 6 of the Final Report of the London Debt Conference, and of the joint letter addressed by the Head of the German Delegation, Herr Hermann J. Abs, and Sir Otto Niemeyer to the Tripartite Commission on German Debts, dated 19th November, 1952, on the subject of Goldmark loans of German municipalities, it is agreed as follows:

I.—In respect of the claims and rights specified below it is recognised that they have a specific foreign character within the meaning of the above-mentioned provisions.

1. Claims expressed in Goldmarks or in Reichsmarks with a gold clause or a gold option arising out of bonds made out by German debtors and issued or placed abroad, if—

(a) they constitute a loan, the conditions of which show that it was intended for investment, sale or negotiation in foreign countries only. Where the interest on any bond has been exempt from taxation of capital yield, the bond shall be considered as forming part of a loan which was intended for investment, sale or negotiation in foreign countries only;

(b) they are payable in foreign countries only under the terms of the bonds.

Any part of a loan which differs from the other parts of the loan in respect of special designation or special treatment in Germany as regards taxation or quotation shall likewise be considered as a loan within the meaning of (a) or (b) above, except where the bonds belonging to such part of a loan were officially quoted on a German Stock Exchange before 1st September, 1939.

2. Claims expressed in Goldmarks, or in Reichsmarks with a gold clause or a gold option, arising from other loans or advances resulting from financial transactions and raised abroad by German debtors, including claims of this kind secured by mortgage charges; if

(a) it was expressly agreed under the original written debt arrangements that the place of payment or the competent court is situated abroad or foreign law is applicable; and if

[NOTE: 1. It was agreed by the signatories to the above letter that these documents should become Annex VII to the Agreement on German External Debts and not sub-Annexes to Annexes I, II and IV of that Agreement, as requested in the final paragraph above.

2. The exchanges of letters referred to in the final paragraph above have now been summarised and are attached as the Sub-Annex1 to Annex VII.]
(b) whenever the debt was incurred after 31st July, 1931, the equivalent was made available in foreign currency, free Reichsmarks or gold, or originates in a blocked Reichsmark account to which repayments on a Goldmark or foreign currency loan from a foreign country granted before 31st July, 1931, had been credited provided that the foreign creditor has again loaned out the amounts withdrawn from the blocked Reichsmark account, with the consent of the competent German Foreign Exchange Control Authorities, to some other German debtor, stipulating a gold clause or gold option Clause for such renewed loan.

A loan or advance shall likewise be deemed to have been raised in a foreign country if the debtor was aware, when the indebtedness was incurred, that the German creditor, by virtue of a trusteeship contract, was merely the trustee of a foreign lender. A loan or advance raised from the foreign trustee of a German lender shall not be deemed to have been raised in a foreign country.

II.—The claims and rights mentioned under I do not include claims of foreign credit institutions and insurance entreprises which under German Law are required to prepare a conversion sheet, provided the claims have to figure as assets on the conversion sheet.

III(1).—In the case of real estate liens (mortgages, land charges and terminable annuities), which on 20th June, 1948, had been entered for the purpose of securing the personal claims of a foreign creditor specified in such agreement, the original conversion shall, subject to the provisions set out hereinafter, continue to apply in accordance with the Conversion Law, including the 40th Executory Ordinance issued thereto. In those cases where any such real estate lien has, in accordance with these prescriptions, been converted at a rate other than 1:1, the security in favour of the creditor in the form of real estate lien of the same nominal amount as the real estate lien in his favour on the 20th June, 1948, less any subsequent reductions thereof, will be re-established in equal rank in so far as this is possible without interference with any real property rights which a third party may have acquired during the period between the 21st June, 1948, and 15th July, 1952. To the extent that third parties may have acquired such rights during the said period, the following rules shall apply, it being agreed that they will in detail be established by German legislation:

(a) Where the real property has changed ownership, the security in favour of the creditor, in the form of a real estate lien, which is lacking will be re-established only to the extent that a public charge in respect of the levy on mortgage profits (Hypotheken- gewinnabgabe) is or will be reduced.

(b) Where a third party has acquired some other real estate right in the property, the security in favour of the creditor, in the form of a real estate lien, which is lacking will be re-established only in the next best rank. Where, however, a public charge in respect of the levy on mortgage profits (Hypotheken- gewinnabgabe) is reduced, the

(1) The text of this paragraph was agreed between the parties concerned on 12th February, 1953.
re-established security will rank before the rights of such third party in so far as and to the extent that the third party benefits from the reduction.

(c) A creditor who has a claim of a specific foreign character shall be given a lien on such compensation claim as is to be awarded to the debtor to the extent that such creditor's real estate security cannot be re-established in its original rank or cannot be re-established for the full amount for which the claim was secured.

(d) In cases where the creditor cannot be given a real estate lien corresponding in amount with the former real estate lien, the debtor shall, out of public funds, be enabled to meet the claim in so far as and to the extent that it cannot be satisfied out of security owing to the impossibility of the re-establishment of the former security.

It is agreed that in respect of Berlin (West) an analogous arrangement adapted to the special characteristics of local legislation will apply without the creditor's existing rights or those provided under the terms set forth above being thereby reduced.

IV.—In every case it will be a prerequisite for the specific foreign character that the claims on 1st January, 1945, were held by a person who at that time was a national of a creditor country or, without possessing German nationality, was resident in a creditor country. In cases where a claim or a real estate lien securing a claim was at that date held by a trustee, the criterion shall not be the person of the trustee but the person of the grantor of the trust. A juridical person shall be deemed to be a national of the country under the laws of which it was established.

V.—The Creditor representatives asked that the claims, including real estate liens, of foreign creditors against secondary debtors [as defined in Article 15, paragraph (8), of the Conversion Law as newly worded by AHC Law No. 46 (Official Gazette 1951, No. 46, page 756)—without restriction, however, to United Nations nationals—], in such cases where they are expressed in Goldmarks or Reichsmarks with a gold clause or gold option, shall be regarded as having a specific foreign character and be converted at the rate of 1 Goldmark, or 1 Reichsmark with gold clause, = 1 Deutsche Mark. To this the German Delegation replied that these claims and real estate liens should be considered from the point of view of the security which the German primary debtor would have to propose in the offer to be made under the London Debt Settlement.

It was agreed that this matter should be held over pending the clarification of the question of security for the individual primary debtors' obligations. The Creditor representatives, however, reserved the right to demand final settlement of the conversion at the rate of 1 Deutsche Mark = 1 Goldmark or Reichsmark with a gold clause or gold option, of the secondary debtors' obligations in the event that the security offered by the German primary debtor in any particular case should not be sufficient.

Hermann J. ABS  
Head of the German Delegation for External Debts

N. Leggett  
Chairman of Negotiating Committee B at the Conference on German External Debts
SUB-ANNEX TO ANNEX VII

AGREED PROVISIONS DESIGNED TO CLARIFY VARIOUS QUESTIONS IN CONNECTION WITH ANNEX VII

The Chairman
The Tripartite Commission on German Debts
London, S.W. 1.

London, 9th February, 1953

Mr. Chairman,

We refer to our letter of the 21st November, 1952, to which we attached four exchanges of letters designed to clarify various questions in connection with the Agreement of the 21st November, 1952, on Goldmark liabilities and Reichsmark liabilities with a Gold Clause, having a specific foreign character.

It was suggested that for the sake of simplicity these four exchanges of letters might be embodied in one document, to be annexed to the above-mentioned Agreement of the 21st November, 1952. The text of such an Annex has now been agreed on between us, and we have the honour to submit it to you herewith, in English and German, and to request that it may be appended as an Annex to the Agreement referred to.

Please accept, Mr. Chairman, the expression of our highest esteem.

Hermann J. Abs
Head of the German Delegation for External Debts

N. J. F. Leggett
Chairman of Negotiating Committee B at the Conference on German External Debts

ANNEX TO AGREEMENT OF 21st NOVEMBER, 1952, ON GOLDMARK LIABILITIES AND REICHSMARK LIABILITIES WITH A GOLD CLAUSE, HAVING A SPECIFIC FOREIGN CHARACTER

The following provisions shall constitute an Annex to the Agreement dated 21st November, 1952:

1. It is confirmed that the transfer of amounts due in respect of claims expressed in Goldmarks or in Reichsmarks with a Gold Clause or Gold Option, under Appendices 3 and 4 of the Report of the Conference on German External Debts, shall be treated as if they were payable in a non-German currency in a foreign country in accordance with Article 11, paragraph 1 (a) of the draft Intergovernmental Agreement on German External Debts.

2. It is agreed that the existence of a “trusteeship contract,” as referred to in the last paragraph of Article 12 of the Agreement of 21st November, 1952, may be proved not only by a document of contract or letters referring to the trusteeship but also by the treatment of the foreign lender as a creditor which was extended to him over the years by the competent German foreign exchange control authorities.
3. It is agreed that, in the case of mortgages (i.e., all *Grunâpfanârechte*) securing claims expressed in non-German currency which are converted at the rate of 1 Deutsche-mark = 1 Reichsmark or Reichsmark with a Gold Clause or Gold Option in accordance with Article I, paragraph 2, Clauses 1, 2 and 5 of the 40th Executory Ordinance to the Currency Conversion Law, that conversion is final; this affords the reason why such case is not included in the Agreement of 21st November, 1952.

4. Under Article V of the Agreement of 21st November, 1952, the creditors have reserved the right, in the case of their claims (including real estate liens) against secondary debtors, to demand final settlement of the conversion at the rate of 1 Deutschemark = 1 Goldmark or 1 Reichsmark with a Gold Clause or Gold Option, in the event that in the offer made by any particular German primary debtor for settlement of his liability the security offered is not deemed by the creditor to be sufficient. In this connexion the head of the German Delegation for External Debts, Mr. Hermann J. Abs, will seek to influence the respective primary debtors to make without delay to their foreign creditors offers of settlement which if accepted will leave the creditors in a position in no way inferior to their present position as provided in the 40th Executory Ordinance to the Currency Conversion Law. If such offers are made and accepted it is contemplated that the creditors will withdraw the reservation made by them in Article V as regards the conversion of their claims against the secondary debtors.

Although the above-mentioned reservation strictly relates only to creditors whose cases are covered by the 40th Executory Ordinance to the Currency Conversion Law and Article 15 of that Law (as amended by Law 46), i.e., United Nations Nationals, it is agreed that, according to the principle of non-discrimination and equal treatment of all creditors, such reservation shall also apply to claims against secondary debtors of creditors who are not United Nations Nationals.

**ANNEX VIII**

**AGREED INTERPRETATION CONCERNING PARAGRAPH (2) OF ARTICLE 5 OF THE AGREEMENT ON GERMAN EXTERNAL DEBTS**

Nothing in paragraph (2) of Article 5 of the Agreement on German External Debts shall be construed as affecting any rights under existing legislation in the Federal Republic of Germany, or which are provided for in any agreement which has been signed, prior to the signature of the Agreement on German External Debts, between the Federal Republic of Germany and any of the other Parties to the last mentioned Agreement.
ANNEX IX

CHARTER OF THE ARBITRAL TRIBUNAL FOR THE AGREEMENT ON GERMAN EXTERNAL DEBTS

Article 1

(1) The Arbitral Tribunal for the Agreement on German External Debts (hereinafter referred to as "the Tribunal") shall be composed of eight permanent members appointed as follows:

(a) three members appointed by the Government of the Federal Republic of Germany;
(b) one member appointed by the Government of the French Republic;
(c) one member appointed by the Government of the United Kingdom of Great Britain and Northern Ireland;
(d) one member appointed by the Government of the United States of America;
(e) a President and a Vice-President who shall be appointed jointly by the Governments entitled to appoint the other permanent members of the Tribunal. If such Governments fail to agree on the appointment of the President and Vice-President or either of them within four months of the entry into force of the Agreement on German External Debts (hereinafter referred to as "the Agreement"), the President of the International Court of Justice shall, at the request of the Government of the United Kingdom of Great Britain and Northern Ireland made in pursuance of the authority hereby conferred upon it by the Parties to the Agreement, make such appointment or appointments.

(2) When a Party to the Agreement, other than any Government specified in paragraph (1) of this Article is a party to a proceeding before the Tribunal, such Party shall be entitled to appoint an additional member to sit in such proceeding. If more than one Party to the Agreement would be so entitled, such Parties shall be entitled to appoint an additional member jointly.

(3) The Government of the Federal Republic of Germany shall be entitled to appoint an additional member to sit in proceedings in cases where an additional member appointed as provided in paragraph (2) of this Article also sits.

(4) The initial appointments of permanent members of the Tribunal shall be notified to the Government of the United Kingdom of Great Britain and Northern Ireland within two months of the entry into force of the Agreement. Appointments to fill vacancies shall be notified within one month of such vacancy.

(5) Parties to the Agreement who appoint an additional member under paragraph (2) of this Article shall notify the Tribunal of such appointment within one month from the date on which the proceeding, in respect of which the appointment is made, is instituted before the Tribunal. If the appointment of such additional member is not notified to the Tribunal within this period, the proceeding shall be conducted without the participation of additional members.

(6) The Government of the Federal Republic of Germany shall notify the Tribunal of the appointment by it of an additional member under paragraph (3) of this Article...
within one month of the receipt by the Tribunal of the notification of the appointment of an additional member under paragraph (2) of this Article. If the appointment of such additional member is not notified to the Tribunal within this period, the proceeding shall be conducted without the participation of such member.

Article 2

(1) The term of office of permanent members of the Tribunal shall be five years. They may be reappointed for one or more additional terms of five years.

(2) If the President or the Vice-President dies or resigns or is prevented from carrying out the duties of his office, the successor President or Vice-President shall be appointed jointly by the Governments entitled to appoint the permanent members of the Tribunal. If such Governments fail to agree on such successor within one month of the date on which the vacancy has occurred, a request shall be made to the President of the International Court of Justice to make the appointment in accordance with the provisions of paragraph (1) (e) of Article 1 of this Charter.

(3) If a permanent member other than the President or the Vice-President dies or resigns or is prevented from carrying out the duties of his office, the Government which appointed him shall within two months of the date on which such vacancy has occurred appoint a successor who shall hold office for the remainder of the term for which the member he replaces was appointed.

(4) If a permanent member is temporarily unable to attend the sittings of the Tribunal, the Government which appointed him may appoint an alternate member to replace him during his absence.

(5) A permanent member whose term of office has expired or who resigns his office shall nevertheless continue to discharge his duties until his successor is appointed. After such appointment he shall, unless the President of the Tribunal directs otherwise, continue to discharge his duties respecting pending cases in which he has participated, until such cases are finally disposed of.

(6) No permanent member may be dismissed before the expiry of his term of office, except by agreement between the Governments referred to in paragraph (1) of Article 1 of this Charter and, in the case of any member appointed by the President of the International Court of Justice, with the consent of the President of the International Court of Justice.

Article 3

(1) All members of the Tribunal shall have the qualifications required in their countries for appointment to high judicial office or shall be lawyers or other experts of recognised competence in international law.

(2) Members of the Tribunal shall not seek or accept instructions from any Government. They shall not engage in any activity incompatible with the proper exercise of their duties nor shall they participate in the adjudication of any case with which they had been previously concerned in any other capacity or in which they have a direct interest.
(3)—(a) During and after their terms of office the members of the Tribunal who are not of German nationality shall enjoy immunity from suit in respect of acts performed in the exercise of their official duties. Members of the Tribunal of German nationality shall enjoy immunity from suit in respect of acts performed in the exercise of their official duties to the same extent as judges officiating in German courts in the Federal Republic of Germany.

(b) The members of the Tribunal who are not of German nationality shall enjoy in the Federal territory the same privileges and immunities as are accorded to members of diplomatic missions.

Article 4

(1) All matters before the Tribunal shall be heard by the Tribunal in plenary session. A plenary session shall in principle include all the permanent members of the Tribunal and any additional members appointed for the particular dispute or matters referred to it except that the President and the Vice-President shall not both sit at the same time. Five members shall constitute a quorum.

A plenary session shall be composed of—

(a) the President or, in his absence, the Vice-President;
(b) an equal number of permanent members appointed by the Government of the Federal Republic of Germany and of permanent members appointed by other Parties to the Agreement;
(c) any additional members entitled to sit.

(2) In the absence of the President, the Vice-President shall exercise the authority and carry out the duties of the President.

Article 5

The seat of the Tribunal shall be at such place within the territory of the Federal Republic of Germany as shall be determined by a subsidiary administrative agreement between the Governments entitled to appoint the permanent members of the Tribunal.¹

Article 6

The Tribunal shall, in the interpretation of the Agreement and the Annexes thereto, apply the generally accepted rules of international law.

Article 7

(1)—(a) The official languages of the Tribunal shall be English, French and German. However, the President may, with the consent of the parties, direct that only one or two of these languages shall be used in the proceedings in any case.

(b) The decisions of the Tribunal shall be delivered in all three languages.

(2) Governments, parties to proceedings before the Tribunal, shall be represented by agents who may be assisted by counsel.

(3) The proceedings shall consist of two parts, written and oral. Oral proceedings may be dispensed with if the parties to the proceeding so request.

(4) All decisions of the Tribunal shall be taken by a majority vote. Decisions shall be rendered in writing and shall include a statement of the facts and the grounds for the decision, together with the opinion of any member dissenting therefrom.

Article 8

(1) The salaries and allowances of the President and Vice-President shall be borne as to one-half by the Government of the Federal Republic of Germany and as to the other half in equal proportions by the other Governments entitled to appoint permanent members.

(2) The salary and allowances of each of the other members of the Tribunal shall be borne by the Government which has appointed him, and, if appointed by more than one Government, in equal proportions by the appointing Governments.

(3) The funds requisite to meet the other costs of the Tribunal shall be provided by the Government of the Federal Republic of Germany.

(4) The administration and the accommodation of the Tribunal, staff appointments and staff salaries shall be regulated by a subsidiary administrative agreement between the Governments entitled to appoint permanent members of the Tribunal.

Article 9

The Tribunal shall determine its own rules of procedure consistent with the provisions of this Charter and of the Agreement.

ANNEX X

CHARTER OF THE MIXED COMMISSION

Article 1

(1) The Mixed Commission (hereinafter referred to as "the Commission") for the interpretation of Annex IV to the Agreement on German External Debts (hereinafter referred to as "the Agreement") shall be composed of the eight permanent members of the Arbitral Tribunal established under Article 28 of the Agreement and such additional members as may be appointed from time to time pursuant to the provisions of paragraphs (2) and (3) of this Article, provided, however, that any Government which has appointed a permanent member to the said Arbitral Tribunal may, instead of appointing such permanent member to the Commission, appoint another person. (The members of the Commission who are permanent members of the Arbitral Tribunal or are appointed
in place of such permanent members of the Arbitral Tribunal are hereinafter referred to as “permanent members of the Commission.”)

(2) When the Government of a creditor country, other than those Governments entitled to appoint permanent members to the Arbitral Tribunal, or a person who is a national of, or resides in, such country, is a party to proceedings before the Commission, such Government shall be entitled to appoint an additional member to sit in such proceedings. If more than one Government would be so entitled, such Governments may appoint an additional member jointly.

(3) The Government of the Federal Republic of Germany shall be entitled to appoint an additional member to sit in proceedings in cases where an additional member appointed as provided in paragraph (2) of this Article also sits.

(4) The appointment of any permanent member of the Commission who is appointed in place of a permanent member of the Arbitral Tribunal shall be notified to the Government of the United Kingdom of Great Britain and Northern Ireland within two months of the entry into force of the Agreement. Appointments to fill vacancies of members appointed in accordance with the provisions of this paragraph shall be notified within one month of such vacancy.

(5) Parties to the Agreement who appoint an additional member pursuant to paragraph (2) of this Article shall notify the Commission of such appointment within one month from the date on which the proceeding, in respect of which the appointment is made, is instituted before the Commission. If the appointment of such additional member is not notified within this period, the proceeding shall be conducted without the participation of additional members.

(6) The Government of the Federal Republic of Germany shall notify the Commission of the appointment by it of an additional member under paragraph (3) of this Article within one month of the receipt by the Commission of the notification of the appointment of an additional member under paragraph (2) of this Article. If the appointment of such additional member is not notified to the Commission within this period, the proceeding shall be conducted without the participation of such member.

Article 2

The permanent members of the Commission shall be subject to the same provisions respecting the term of office, reappointment, appointment of successors and alternate members, discharge of duties subsequent to resignation or expiration of term of office and dismissal as are provided in Article 2 of the Charter of the Arbitral Tribunal (Annex IX to the Agreement) for permanent members of the Arbitral Tribunal.

Article 3

(1) All members of the Commission shall have the qualifications required in their countries for appointment to high judicial office or shall be lawyers or other experts of recognised competence in international law.
(2) Members of the Commission shall not seek or accept instructions from any Government. They shall not engage in any activity incompatible with the proper exercise of their duties nor shall they participate in the adjudication of any case with which they were previously concerned in any other capacity or in which they have a direct interest.

(3)—(a) During and after their terms of office the members of the Commission who are not of German nationality shall enjoy immunity from suit in respect of acts performed in the exercise of their official duties. Members of the Commission of German nationality shall enjoy immunity from suit in respect of acts performed in the exercise of their official duties to the same extent as judges officiating in German courts in the Federal Republic of Germany.

(b) The members of the Commission who are not of German nationality shall enjoy in the Federal territory the same privileges and immunities as are accorded to members of diplomatic missions.

Article 4

A proceeding before the Commission shall be heard by three permanent members of the Commission and, if additional members have been appointed in respect of the proceeding, by such additional members. The permanent members of the Commission who sit in a proceeding shall be—

(a) a Chairman who shall be the President of the Arbitral Tribunal or, in his absence or at his instruction, the Vice-President of the Arbitral Tribunal;

(b) a member appointed by the Chairman from among the permanent members of the Commission appointed by the Government of the Federal Republic of Germany;

(c) a member appointed by the Chairman from among the other permanent members of the Commission, provided that in any proceeding to which one of the parties is—

(i) a Government of a creditor country entitled to appoint a permanent member, or

(ii) a person who is a national of, or resides in, such country, the permanent member appointed by the Government of such country shall sit. If more than one permanent member would be entitled to sit under this provision, the Chairman shall appoint one of such members.

Article 5

The seat of the Commission shall be in the same place as the seat of the Arbitral Tribunal.

Article 6

The Commission shall, in the interpretation of Annex IV to the Agreement, apply the generally accepted rules of international law.

Article 7

(1)—(a) The official languages of the Commission shall be English, French and German. However, the Chairman may, with the consent of the parties, direct that only one or two of these languages shall be used in the proceedings in any case.
(b) The decisions of the Commission shall be delivered in all three languages.

(2) Governments, parties to proceedings before the Commission, shall be represented by agents who may be assisted by counsel. Private persons may be represented by counsel.

(3) The proceedings shall consist of two parts, written and oral. Oral proceedings may be dispensed with if the parties to the proceeding so request.

(4) All decisions of the Commission shall be taken by a majority vote. They shall be rendered in writing and shall include a statement of the facts and the grounds for the decision together with the opinion of any member dissenting therefrom.

(5) The Commission may in any proceeding before it refer a question which it considers to be of fundamental importance to the interpretation of Annex IV to the Agreement to the Arbitral Tribunal for decision. In such case the Commission shall suspend such proceeding pending the decision of the Arbitral Tribunal.

(6) If a Party to the Agreement appeals from a decision of the Commission to the Arbitral Tribunal under the provisions of paragraph (7) of Article 31 of the Agreement, it shall file a notice of such appeal with the Commission.

(7) Unless the Commission directs otherwise, each party to the proceedings shall pay its own costs.

Article 8

(1) The salary and allowances of a permanent member of the Commission who is appointed in place of a permanent member of the Arbitral Tribunal and of any additional member shall be borne by the Government or Governments appointing such member.

(2) The scale of fees payable by parties to proceedings shall be determined by a subsidiary administrative agreement between the Governments entitled to appoint permanent members of the Arbitral Tribunal.

(3) Any other costs of the Commission not covered by the fees shall be borne by the Federal Republic of Germany.

(4) The Commission shall, with respect to its administration, accommodation and staff make use of the administrative facilities provided for the Arbitral Tribunal. Any special administrative arrangements for the Commission shall be provided for in the subsidiary administrative agreement referred to in paragraph (2) of this Article.

Article 9

The Commission shall determine its own rules of procedure consistent with the provisions of this Charter and of the Agreement.
APPENDIX A


A.—Letter to the Allied High Commission from the German Federal Chancellor

Bonn, 6th March, 1951

Mr. High Commissioner,

In reply to your letter of 23rd October, 1950, I have the honour to inform you as follows:

I

The Federal Republic hereby confirms that it is liable for the pre-war external debt of the German Reich, including those debts of other corporate bodies subsequently to be declared liabilities of the Reich, as well as for interest and other charges on securities of the Government of Austria to the extent that such interest and charges became due after 12th March, 1938, and before 8th May, 1945.

The Federal Government understands that in the determination of the manner in which and the extent to which the Federal Republic will fulfil this liability account will be taken of the general situation of the Federal Republic, including, in particular, the effects of the limitations on its territorial jurisdiction and its capacity to pay.

II

The Federal Government acknowledges hereby in principle the debt arising from the economic assistance furnished to Germany since 8th May, 1945, to the extent to which liability for such debt has not previously been acknowledged in the Agreement on Economic Co-operation concluded on 15th December, 1949,2 between the Federal Republic and the United States of America, or for which the Federal Republic has not already taken over responsibility under Article 133 of the Basic Law. The Federal Government is ready to accord the obligations arising from the economic assistance priority over all other foreign claims against Germany or German nationals. The Federal Government regards it as appropriate to regulate any questions connected with the recognition and settlement of these debts by bilateral agreements with the Governments of the countries which have rendered economic assistance patterned on the Agreement concluded with the United States of America on 15th December, 1949. The Federal Government takes for granted that these agreements will contain an arbitration clause for cases of dispute. The Federal Government is prepared at once to enter into negotiations for the conclusion of such agreements with the Governments concerned.

III

The Federal Government hereby expresses its desire to resume payments on the German external debt. It understands that there is agreement between it and the Governments of France, the United Kingdom of Great Britain and Northern Ireland and of the United States of America on the following:

It is in the interest of the re-establishment of normal economic relations between the Federal Republic and other countries to work out as soon as possible a settlement plan which will govern the settlement of public and private claims against Germany and German nationals.

Interested Governments, including the Federal Republic, creditors and debtors, shall participate in working out this plan.

The settlement plan shall in particular deal with those claims, the settlement of which would achieve the objective of normalising the economic and financial relations of the Federal Republic with other countries. It will take into account the general economic position of the Federal Republic, notably the increase of its burdens and the reduction in its economic wealth. The general effect of this plan shall neither dislocate the German economy through undesirable effects on the internal financial situation nor unduly drain existing or potential German foreign-exchange resources. It shall also not add appreciably to the financial burden of any occupation Power.

The Governments concerned may obtain expert opinions on all questions arising out of the negotiations on the settlement plan and on the capacity to pay.

The result of the negotiations shall be set forth in agreements. It is agreed that the plan will be provisional in nature and subject to revision as soon as Germany is reunited and a final peace settlement becomes possible.

I beg your Excellency to accept the assurance of my highest esteem.

Adenauer

B.—Reply to the German Federal Chancellor from the Allied High Commissioners on behalf of the Governments of the French Republic, the United Kingdom of Great Britain and Northern Ireland and the United States of America

6th March, 1951

Mr. Chancellor,

In reply to your letter of 6th March, 1951, on the subject of German indebtedness we have the honour, on behalf of the Governments of France, the United Kingdom of Great Britain and Northern Ireland, and the United States of America, to acknowledge the undertakings of the Federal Government in regard to the responsibility of the Federal Republic for the pre-war external debts of the German Reich and for the debt arising out of the economic assistance furnished to Germany by the three Governments since 8th May, 1945.
With regard to the priority accorded to the obligations arising from the post-war economic assistance, we are authorised to state that the three Governments would not propose to exercise this priority in such a way as to restrict settlement of foreign-held claims arising out of trade subsequent to 8th May, 1945, essential to the economic recovery of the Federal Republic.

With regard to the question of an arbitration clause in agreements covering the debts for post-war economic assistance, the three Governments will be prepared, when negotiating such agreements, to consider whether it would be useful to include an arbitration clause to deal with any matters which might be appropriately settled by such a procedure.

We further have the honour on behalf of the three Governments to confirm the understandings of the Federal Government as set forth in the second paragraph of Article I and in Article III of your Excellency's letter. They are now engaged in preparing proposals for the working out of settlement arrangements: these will provide for the participation of foreign creditors, German debtors, and interested Governments, including the Federal Government. The proposals will be designed to arrive at an orderly overall settlement of pre-war claims against Germany and German debtors and of the debt arising out of the post-war economic assistance, which would be fair and equitable to all the interests affected, including those of the Federal Government. It is the intention that the resulting settlement should be embodied in a multilateral agreement; any bilateral agreements that may be considered to be necessary would be concluded within the framework of the settlement plan. As soon as their proposals are ready the three Governments will communicate them to the Federal Government and to other interested Governments and will discuss with them these proposals and the procedure to be adopted for dealing with the subject.

We have the honour to state that our three Governments regard your Excellency's letter under reference and this letter as placing on record an agreement between the Governments of France, the United Kingdom of Great Britain and Northern Ireland, and the United States of America, on the one hand, and the Government of the Federal Republic on the other, concerning the questions of German indebtedness covered in these letters. These letters are prepared in English, French and German, each text being equally authentic.

Accept, Mr. Chancellor, the renewed assurances of our highest esteem.

For the Government of the French Republic: A. François-Poncet
For the Government of the United Kingdom: Ivone Kirkpatrick
For the Government of the United States of America: John J. McCloy
APPENDIX B

REPORT OF THE CONFERENCE ON GERMAN EXTERNAL DEBTS
(Without the Appendices thereto)

London, February-August 1952

I.—INTRODUCTION

1. The International Conference on German External Debts was called by the Governments of the Republic of France, the United Kingdom of Great Britain and Northern Ireland and the United States of America in order to work out a general agreement for the settlement of German external debts. The Conference presents to the Governments of the participating countries this Report describing its work and setting forth its recommendations relating to the settlement of these debts. The Conference suggests that copies of the Report should be made available to other interested Governments.

2. Prior to calling the Conference, the Governments of France, the United Kingdom and the United States of America and the Government of the Federal Republic of Germany concluded, on 6th March, 1951, an agreement in which the latter confirmed its liability for the pre-war external debts of the German Reich, acknowledged in principle its debts for post-war economic assistance furnished to Germany by the three Governments, and declared its willingness to resume payments on the German external debts in accordance with a plan to be worked out by all interested parties. A copy of the exchange of letters embodying this agreement is contained in Appendix 1.

3. In May 1951 the three Governments set up the Tripartite Commission on German Debts to represent them in the negotiations relating to the settlement of German external debts and to organise the work of the Conference. The three Governments were represented on the Tripartite Commission by M. François-Didier Gregh (France), Sir George Rendel (United Kingdom), and Ambassador Warren Lee Pierson (United States); their alternates were M. René Sergent (France), who was later replaced by M. A. Rodocanachi and M. H. Davost, Sir David Waley (United Kingdom) and Minister J. W. Gunter (United States).

4. The Commission held preliminary discussions in June and July 1951 with the German Delegation on External Debts, appointed by the Government of the Federal Republic of Germany, and with representatives from some of the principal creditor countries. The German Delegation was headed by Herr Hermann J. Abs, with alternate Dr. W. Kriege.

5. In December 1951 the Tripartite Commission informed the German Delegation of the amounts and terms of payment which the three Governments were prepared to accept in full settlement of their claims in respect of post-war economic assistance, on condition that a satisfactory and equitable settlement of Germany's pre-war debts were achieved. During the Conference the United States of America further offered to defer collection of the principal of its claim for a period of five years and amended
its offer of December 1951 accordingly. The amounts and terms are outlined in Appendix 2 of this Report.\(^1\)

II.—Organisation of the Conference

6. The Conference held its first plenary meeting at Lancaster House, London, on 28th February, 1952. The Governments of France, the United Kingdom and the United States of America were represented by the Tripartite Commission on German Debts; the private creditors of these three countries were represented by separate delegations; 22 creditor countries sent national delegations composed of governmental and, in many cases, private creditor representatives; 3 countries sent observers; the Bank for International Settlements was represented as a creditor in its own right; the Delegation of the Federal Republic of Germany included governmental representatives and representatives of private debtors.

7. In accordance with the decisions of the Conference, there were set up:

\(a\) The Steering Committee, composed of the three members of the Tripartite Commission, 13 representatives of creditor interests from Belgium, Brazil, France, Italy, the Netherlands, Sweden, Switzerland, the United Kingdom and the United States, and 5 members representing public and private debtor interests. Its duty was to organise the work of the Conference and to ensure that all recommendations submitted to plenary meetings were such as to achieve an equitable overall settlement and equal treatment for all creditors within each category.

\(b\) The Creditors' Committee, in which each of the delegations of creditor countries was represented. Its duty was to co-ordinate the views of the various groups of creditor interests, to appoint creditor representatives to negotiating committees and to convey to the Steering Committee the creditors' views with respect to any recommendations resulting from negotiating committees.

\(c\) The Conference Secretariat under a Secretary-General. The Secretary-General was first Mr. H. A. Cridland and later Mr. E. H. Peck.

8. The Steering Committee established four negotiating Committees to deal, respectively, with the following categories of debt:

- Committee A.—Reich debts and other debts of public authorities;
- Committee B.—Other medium and long-term debts;
- Committee C.—Other medium and long-term debts;
- Committee D.—Commercial and miscellaneous debts.

Each Committee was composed of representatives of the creditors and debtors, together with observers from the Tripartite Commission. A number of sub-committees was set up by the Negotiating Committees to deal with specific types of debts.

\(1\) Appendix 2 of the Conference Report has been superseded by the provisions of the Agreements for the settlement of the claims of the three Governments arising from the post-war economic assistance to Germany, signed on the same day as the Agreement on German External Debts. The last paragraph of the preamble of the latter Agreement makes reference to these Agreements.
9. The Steering Committee also established a Statistical Committee to assist the Conference.

10. The Conference was in session between 28th February and 8th August, 1952, with a recess from 5th April to 19th May, to enable necessary consultations to take place.

III.—FRAMEWORK

11. In carrying out its work the Conference has been guided by the following facts, principles and objectives:

(a) The Governments of France, the United Kingdom and the United States of America have given the Government of the Federal Republic of Germany assurances with regard to the scaling down and the terms of settlement of the post-war claims for economic aid extended to Germany, which would be accepted by the three Governments on condition that a satisfactory and equitable settlement of pre-war debts were achieved;

(b) The Settlement Plan should—

(i) take into account the general economic position of the Federal Republic and the effects of the limitations on its territorial jurisdiction; it should neither dislocate the German economy through undesirable effects on the internal financial situation, nor unduly drain existing or potential German foreign exchange resources, and it should not add appreciably to the financial burden of any of the three Governments;

(ii) provide for an orderly overall settlement and assure fair and equitable treatment of all the interests affected;

(iii) provide for appropriate action on the reunification of Germany.

(c) The Settlement Plan should promote the re-establishment of normal financial and commercial relations between the Federal Republic of Germany and other countries. To this end it should—

(i) eliminate the state of default of Germany by suitable treatment of matured and maturing debts and of arrears of interest;

(ii) lead to a situation which would permit a return to normal debtor-creditor relationships;

(iii) be of such a character as to contribute to the recovery of Germany's international credit by the restoration of confidence in her financial standing and reliability as a borrower, while giving a reasonable assurance that Germany will not again default on her undertaking;

(iv) be compatible with and as far as possible facilitate the Federal Republic's eventual compliance with obligations which members of the International Monetary Fund and the Organisation for European Economic Co-operation have assumed with regard to the transfer of payments for current transactions, including interest and earnings on investments.
IV.—RECOMMENDATIONS

12. Reich Debts and other Debts of Public Authorities.—The recommendations for the settlement of debts in this category are contained in Appendix 3.

13. Other Medium and Long-Term Debts.—The recommendations for the settlement of debts in this category are contained in Appendix 4.

14. Standstill Debts.—The recommendations for the settlement of debts in this category are contained in Appendix 5. The Conference is in agreement that these recommendations should be put into effect at the earliest date possible.

15. Commercial and Miscellaneous Debts.—The recommendations for the settlement of debts in this category are contained in Appendix 6.

16. The Conference considered several debt problems the special nature of which made their complete and definitive settlement during the Conference impossible. Plans were laid for their subsequent solution in negotiations between the interests involved. Appropriate provisions in this regard have been included in the respective appendices of this Report. Such negotiations should be guided by the principles and objectives of the Conference and the resulting recommendations, if approved, should be covered by the Intergovernmental Agreement.

17. The terms proposed for the settlement of German debts covered by the Settlement Plan have been worked out in intensive negotiations between representatives of the creditors and the debtors. They conform as closely as possible to the existing contracts.

18. As will be seen from Appendices 3-6, no repayment in foreign exchange of the principal of any debt covered by the recommendations should be made during an initial period of five years, except in special cases where the recommended settlement terms contain provisions which justify some repayment of principal in the initial period.

19. Appropriate provision is made in the Appendices for cases of hardship.

If a debtor who has several external loans outstanding is unable to meet his obligations under the Settlement Plan, any negotiations between debtor and creditors should be so conducted as to give equal protection to the interests of the respective creditors.

20. The settlement of debts owed by the City of Berlin or by public utility enterprises owned or controlled by the City of Berlin and located therein is deferred for the time being. Private debtors residing in the Western Sectors of Berlin, however, should be treated like residents of the Federal Republic.

21. The Intergovernmental Agreement mentioned in paragraph 38 should provide that the Federal Government will resume the transfer of interest and amortisation instalments in accordance with the Settlement Plan, and will do everything in its power to ensure such transfer.

The Conference recognised the principle that the transfer of payments under the Settlement Plan implies the development and maintenance of a balance of payments
situation in which those payments, like other payments for current transactions, can be financed by foreign exchange receipts from visible and invisible transactions so that more than a temporary drawing on monetary reserves is avoided. In this connection due consideration should be given to the fact that the convertibility of currencies has not yet been re-established. The Conference therefore recognised that the development and maintenance of this balance of payments situation would be facilitated by the continuance of international co-operation to promote liberal trade policies, the expansion of world trade and the revival of the free convertibility of currencies. It recommends that due account should be taken by all concerned of the principles referred to in this paragraph.

In preparing the Intergovernmental Agreement consideration should be given to working out provisions designed to ensure that the Settlement Plan is operated and fulfilled to the satisfaction of all parties concerned including provisions to apply in case the Federal Republic, in spite of its utmost efforts, is faced with difficulties in carrying out its obligations under the Plan.

22. Transfers of interest and amortisation payments due under the Settlement Plan should be treated as payments for current transactions and, where appropriate, included in any arrangements relating to trade and/or payments between the Federal Republic and any of the creditor countries, regardless of whether such agreements are of a bilateral or multilateral nature.

23. No discrimination or preferential treatment in the fulfilment of the terms agreed on as among categories of debts or currencies in which payable, or in any other respects, should be permitted by the Federal Republic or sought by the creditor countries.

24. The Government of the Federal Republic should enact the legislative measures and take the administrative action necessary to implement the Plan, such as measures to give the foreign creditor the right to enforce his claim in German courts.

25. The basis of the settlements foreseen in this report is an offer made or to be made by the debtor to the creditor. Such offer, even if recommended by the creditor representatives, or resulting from arbitration, unless it is specifically agreed that arbitration is binding on individual creditors, may be refused by the creditor, in which case the benefit of the Settlement Plan cannot be claimed by him. The Government of the Federal Republic shall be entitled to take account of this position in giving effect to the provisions of paragraph 24.

26. The Intergovernmental Agreement should state that, in the case of an accepted offer whenever, under the Settlement Plan, the original debt relationship between the creditor and the debtor is modified, or a new contract concluded between the creditor and the debtor, the latter shall, upon the complete fulfilment of the obligations thereby constituted, be deemed to have discharged fully and finally both his obligations under the modified or new debt relationship and those under the original one.

27. Prescription on claims covered by the present Settlement Plan should not run during the period in which the sums due under the original contract ceased to be available
to the creditors until the date when the sums due are available under the present Settlement Plan.

In addition prescription should not be invoked against the rights of foreign holders of internal German securities (including promissory notes and bills of exchange) until at least one year after transfer in foreign exchange of interest or dividends on these securities is available.

The Federal Government should take any necessary measures to secure the observance of this principle.

28. Some loan contracts contain a currency option, i.e., at the option of the creditor, payment may be required in some currency other than the currency of the country in which the loan was issued. Some other contracts may contain similar provisions. This matter is to be discussed further by the Governments concerned with a view to reaching full agreement before the conclusion of the Intergovernmental Agreement.

Without prejudice to any agreement which may thus be reached as to the currency in which payment is to be made, currency options should, in those cases where the contract provides for payment of a fixed amount of the alternative currency, be considered valid as exchange guarantees; e.g., any creditor holding a loan contract containing such a currency option shall be entitled to receive in the currency of the country in which the loan was issued the equivalent, at the rate of exchange current on the date payment falls due, of the amount of the alternative currency which would have been payable if the option had been exercised.

29. For the purpose of the settlements foreseen in the Agreed Recommendations, except as otherwise provided, e.g., in the case of the Young Loan, the following shall apply:

In the case of debts expressed in gold dollars or gold Swiss francs, the debts shall be computed on the basis of 1 currency dollar equalling 1 gold dollar and 1 currency Swiss franc equalling 1 gold Swiss franc, and the new contracts shall be expressed in currency dollars or currency Swiss francs respectively.

In the case of other debts with gold clauses (excluding German currency debts with gold clauses—see Appendices 4 and 6) the amounts due shall be payable only in the currency of the country in which the loan was raised or the issue was made (below referred to as "the currency of issue"), the amount due being computed as the equivalent at the rate of exchange when the amount is due for payment of a sum in United States dollars which shall be arrived at by converting the amount of the obligation expressed in the currency of issue into United States dollars at the rate of exchange ruling when the loan was raised or the issue made. The amount of currency of issue so reached shall, however, not be less than if it were computed at the rate of exchange current on 1st August, 1952.

30. On the question of the gold clause in general the Tripartite Commission informed the Conference that, as part of the arrangements agreed on in order to make a comprehensive settlement of the German debt problem possible, the Governments of France, the United Kingdom and the United States of America had decided that, in so far as the
German Debt settlement was concerned, gold clauses should not be maintained but might be replaced by some form of exchange guarantee.

With respect to the Young Loan, they of course regarded it as essential that the equality of treatment for the different issues of that Loan provided for under the loan contract should be maintained. The representatives of the European bondholders have expressed their regret at the decision to depart from the contractual right of the bondholders of this international Loan to payment in their own currencies on a gold basis. They have inserted in the "Agreed Recommendations for the Settlement of Reich debts and debts of other public authorities" (Appendix 3) the provision there included solely in view of this Governmental decision.

Corresponding provisions had been included in other reports where appropriate.

31. Appendix 7 contains agreed recommendations for the treatment of payments made to the Konversionskasse problem.

32. Deutsche Mark balances which accrue to a foreign creditor as the result of the settlement of a German debt falling under the Plan should be available for use substantially in accordance with the provisions at present in force in the Federal Republic of Germany, including the transfer of the balances to other non-residents of Germany. Agreed recommendations for the utilisation of Deutsche Mark accounts are set out in Appendix 8.

33. Consideration has been given to the question whether it is necessary to recommend the enactment of legislation in the creditor countries to limit the activities of creditors in seeking settlement of their claims against Germany. The conclusion has been reached that such legislation is not essential to the successful functioning of the Settlement Plan.

34. The Conference considers that the recommendations made in this Report conform to the principles set forth in paragraph 11.

35. The representatives of private creditors who have participated in the Conference will recommend to the individual creditors that the terms of the Settlement Plan should be accepted, so far as they are concerned.

36. The Government of the Federal Republic should undertake to accelerate the technical preparations necessary to ensure the effective carrying out of the present proposals by the dates indicated in the respective Appendices.

37. The Conference expresses the hope that the Trustees concerned in the administration of loans will feel able to make their services available for the execution of the terms of the Settlement Plan.

38. In the interest of the re-establishment of Germany's credit abroad and in the interest of the creditors whose claims have gone unsettled for many years, the recommendations contained in this Report should be dealt with by the interested Governments without delay, with a view to entering into an Intergovernmental Agreement to give international authority to the Settlement Plan simultaneously with a settlement of the Federal Republic's debts in respect of post-war economic assistance.

Adopted at the Plenary Meeting of the Conference held on 8th August, 1952.
AGREEMENT REGARDING LIABILITY IN RESPECT OF AUSTRIAN GOVERNMENTAL DEBTS

The German Delegation for External Debts to the Chairman of the Tripartite Commission on German Debts

[German text — Texte allemand]

London, den 7. Februar 1953

Herr Vorsitzender!

Die in Abschnitt D Ziffer 15 des Anhangs 3 zum Schlussbericht der Londoner Schuldenkonferenz vorbehaltenen Verhandlungen über die Regelung der Haftung der Bundesrepublik Deutschland für die Äusseren Anleihen der Bundesrepublik Österreich haben zu einer Einigung geführt, die in verschiedenen Briefwechseln niedergelegt ist.

Ich beehre mich, die anliegende Zusammenstellung dieser Briefwechsel und je einen Abdruck der darin aufgezählten Briefe (Anlagen 1 bis 12) sowie den Entwurf eines Schuldcheins (Anlage 13) zu dem in den Anlagen 10 bis 12 enthaltenen Briefwechsel mit der Bitte um Genehmigung der darin enthaltenen Regelung, soweit erforderlich, vorzulegen, und wäre Ihnen zu Dank verbunden, wenn die genannten Briefwechsel der Anlage I des Schuldenabkommens eingefügt oder als Unteranlage beigefügt werden könnten.

Genehmigen Sie, etc.

Hermann J. Abs

ZUSAMMENSTELLUNG

Die Regelung der Haftung der Bundesrepublik Deutschland für die Äusseren Anleihen der Bundesrepublik Österreich ergibt sich aus folgenden Briefen:

1. 7 % Internationale Bundesanleihe der Republik Österreich von 1930 —

(1) The Agreement on Graeco-German Mixed Arbitral Claims has not yet been concluded.

1 L’Accord sur les créances nées des décisions du Tribunal arbitral mixte gréco-allemand n’a as encore été conclu.
2. Österreichische Kreditanstalt-Regierungsschuldverschreibungen 1936 —

3. Internationale Garantierte Bundesanleihe von 1933 und Garantierte Österreichische Konversionsanleihe von 1934 —
   (a) Schreiben der Deutschen Delegation vom 30. Oktober 1952—243-18 Del. 20-1922/52 nebst Annex ; ....../..... 4
   (c) Weiteres Schreiben der Vertreter der Regierungen der drei Garantiemächte vom 30. Dezember 1952—243-18 Del. 20-1922/52 ................................. 6

4. 5% Schuldverschreibungen der Republik Österreich für Staatsabdrückstände (Fundings] in französischem Besitz, I. und III. Emission —

5. Die von der Caisse Commune verwalteten Vorkriegsanleihen der Österreichischen Äusseren Anleihen—
   (a) Schreiben der Deutschen Delegation vom 20. Oktober 1952—243-18 Del. 20-1812/52 .................................................. 10
   (b) Antwortschreiben der Caisse Commune vom 10. November 1952—243-18 Del. 20-2032/52 .................................................. 11

Zu 5 (c): Die Bundesrepublik Deutschland wird daraufhin einen Schuldschein des aus der Anlage 13 ersichtlichen Wortlauts an die Caisse Commune aushändigen 13

[TRANSLATION 1 — TRADUCTION 2]

243-18 Del. 20 B-23/53.

London, S.W. 1, 7th February, 1953

Mr. Chairman,

The negotiations on the settlement of the liability of the Federal Republic of Germany for the External Loans of the Federal Republic of Austria, provided for in Section D, paragraph 15, of Appendix 3 to the Final Report of the London Debt Conference, have led to an agreement which is recorded in a number of exchanges of letters.

1 The English translation of this and all the remaining German texts was provided by the Government of the United Kingdom.
2 La traduction anglaise du présent texte allemand et de tous les textes allemands qui suivent a été fournie par le Gouvernement du Royaume-Uni.
I have the honour to submit the attached list of these exchanges of letters, and one copy of each of the letters referred to therein (Annexes I-12), together with a draft Certificate of Indebtedness (Annex 13) relating to the exchanges of letters contained in Annexes 10-12. I request your approval of the settlement contained in these documents, so far as this is necessary, and should be grateful if the exchanges of letters could be included in Annex I of the Debt Agreement or appended as a sub-annex.

Please accept, etc.

Hermann J. Abs

LIST

The Settlement of the Liability of the Federal Republic of Germany for the External Loans of the Federal Republic of Austria is contained in the following letters:

1. 7% International Federal Loan of the Republic of Austria, 1930—
   (a) Letter from the German Delegation dated 14th November, 1952, (243-18 Del. 20-2092/52) and Annex thereto ................................. 1
   (b) Reply from the Council of Foreign Bondholders dated 19th November, 1952, re 243-18 Del. 20-2092/52 ................................. 3

2. Österreichische Kredit-Anstalt-Government Bonds, 1936—
   (a) Letter from the German Delegation dated 14th November, 1952 (243-18 Del. 20-2091/52) and Annex thereto ................................. 2
   (b) Reply of the Council of Foreign Bondholders dated 19th November, 1952, re 243-18 Del. 20-2091/52 ................................. 3

3. International Guaranteed Federal Loan, 1933, and Austrian Guaranteed Conversion Loan, 1934—
   (a) Letter from the German Delegation dated 30th October, 1952 (243-18 Del. 20-1922/52) and Annex thereto ................................. 4
   (b) Reply from Mr. H. H. Eggers on behalf of the Governments of the Guarantor Powers dated 4th November, 1952 (243-18 Del. 20-1960/52) ................................. 5
   (c) Further letter from the representatives of the Governments of the three Guarantor Powers dated 30th December, 1952 (243-18 Del. 20-1922/52) ................................. 6

4. 5% Governmental Funding Bonds of the Republic of Austria (Issues I and III) in French hands—
   (a) Letter from the German Delegation dated 20th October, 1952 (243-18 Del. 20-1812/52) ................................. 7
   (b) Reply from the Association Nationale des Porteurs Français de Valeurs Mobilières dated 8th November, 1952 (243-18 Del. 20-2019/52) and Annex thereto ................................. 8
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   (b) Reply from the Caisse Commune dated 10th November, 1952 (243-18 Del. 20-2032/52) ................................. 11
   (c) Letter of confirmation from the German Delegation dated 13th November, 1952, re 243-18 Del. 20-2032/52 ................................. 12

Text of Certificate of Indebtedness, which the Federal Republic of Germany will issue to the Caisse Commune, with reference to 5 (c)— ................................. 13
4. Emprunts Funding 5 % de la République d'Autriche (tranches I et III) entre les mains de porteurs français

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b) Réponse de la Caisse commune en date du 10 novembre 1952 (243-18 Del. 20-2032/52) ......................................................... 11

c) Lettre de confirmation de la délégation allemande, en date du 13 novembre 1952, en réponse à la lettre 243-18 Del. 20-2032/52 ............ 12

Texte de l'obligation que la République fédérale d'Allemagne délivrera à la Caisse commune, en ce qui concerne le point 5, c ........................................ 13

ANLAGE 1 — ANNEX 1

The German Delegation for External Debts to the Council of the Corporation of Foreign Bondholders, c/o Sir Otto Niemeyer, G.B.E., K.C.B.

243-18 Del. 20-2092/52.

Subject: 7 % International Federal Loan 1930 of the Republic of Austria

London, 14th November, 1952

Sehr geehrter Sir Otto!

Die Deutsche Delegation macht zur Regelung der Haftung der Bundesrepublik Deutschland für die 7 % Internationale Bundesanleihe der Republik Österreich von 1930 den folgenden Vorschlag:

1. Die Bundesrepublik Deutschland zahlt in den für die einzelnen Tranchen erforderlichen Währungen an die Zahlungsagenten die für die 75 %-ige Einlösung der in der Zeit vom 12. März 1938 bis 8. Mai 1945
fällich gewordenen Kupons der 7 % Internationalen Bundesanleihe der Bundesrepublik Österreich von 1930 benötigten Mittel. Diese Mittel werden bereitgestellt—

<table>
<thead>
<tr>
<th>für die Kuponfälligkeit vom</th>
<th>am</th>
</tr>
</thead>
<tbody>
<tr>
<td>1.7.1938 ...........</td>
<td>1.7.1953</td>
</tr>
<tr>
<td>1.1.1939 + 1.7.1939</td>
<td>1.7.1954</td>
</tr>
<tr>
<td>1.1.1940 ...........</td>
<td>1.7.1955</td>
</tr>
<tr>
<td>1.7.1940 + 1.1.1941</td>
<td>1.7.1956</td>
</tr>
<tr>
<td>1.7.1941 ...........</td>
<td>1.7.1957</td>
</tr>
<tr>
<td>1.1.1942 + 1.7.1942</td>
<td>1.7.1958</td>
</tr>
<tr>
<td>1.1.1943 ...........</td>
<td>1.7.1959</td>
</tr>
<tr>
<td>1.7.1943 + 1.1.1944</td>
<td>1.7.1960</td>
</tr>
<tr>
<td>1.7.1944 ...........</td>
<td>1.7.1961</td>
</tr>
<tr>
<td>1.1.1945 ...........</td>
<td>1.7.1962</td>
</tr>
</tbody>
</table>

Zu den gleichen Terminen erstattet die Bundesrepublik Deutschland den Zahlungsagenten und dem Treuhänder die Kosten, Gebühren und Auslagen für die betreffenden Kupontermine, berechnet nach den tatsächlich zur Auszahlung gelangenden Beträgen.

Die Bereitstellung der Mittel erfolgt nach näherer Vereinbarung mit den Zahlungsagenten.

2. Die Bundesrepublik Deutschland händigt über die zu 1. festgelegte Verpflichtung dem Treuhänder eine Schuldbescheinigung aus.

3. Bei anderen Tranchen der Anleihe als der Dollartranche sind die Zahlungsagenten verpflichtet, die von der Bundesrepublik Deutschland zum Zwecke der Kuponlösung bereitgestellten Mittel nur für die Einlösung solcher Kupons zu verwenden, die bei Anwendung der Bestimmungen des Deutschen Auslandsbondsbereinigungsgesetzes und seiner Durchführungsverordnungen anerkannt werden müssten.

Was die Dollartranche der Anleihe angeht, wird die Bundesrepublik Deutschland dafür sorgen, dass alle Kupons, die für die Zeit zwischen dem 12. März 1938 und dem 8. Mai 1945 fällig geworden sind, gemäß vorstehender Ziffer 1 eingelöst werden.

At the same dates the Federal Republic of Germany will reimburse the paying agents and the trustee for the costs, fees, and expenses for the coupon maturity dates concerned, calculated according to the amounts actually disbursed.

Payment will be made by arrangement with the paying agent.

2. The Federal Republic of Germany will furnish to the trustee a debt certificate containing the obligation as set forth under 1.

3. The paying agents shall be under obligation to employ the funds provided by the Federal Republic of Germany for the purpose of the redemption of coupons solely towards redeeming such coupons as would be validated if the provisions of the German Foreign Bond Validation Law and the Executory Ordinances thereto were applicable.

So far as the dollar portion of the loan is concerned, the Federal Republic of Germany will ensure that all coupons which have fallen due for the period between 12 March 1938 and 8 May 1945 will be redeemed in accordance with paragraph 1.
werden, soweit nicht die Bonds, auf die sich diese Kupons beziehen, zwecks endgültiger Einziehung erworben worden waren. Das bei der Leistung dieser Zahlungen zu befolgende Verfahren wird von den Regierungen Österreichs, der Bundesrepublik Deutschland und der Vereinigten Staaten von Amerika vereinbart.


Yours, etc.

ANNEX

Bei der Regelung der von der Bundesrepublik Deutschland übernommenen Haftung für die österreichischen Auslandsanleihen ist die Deutsche Delegation von der Erwartung ausgegangen, dass die Österreichische Bundesregierung für sich und für die österreichischen Staatsangehörigen auf die Geltendmachung aller Ansprüche aus den von ihnen erworbenen Schuldverschreibungen der Reichsanleihe 1938 II. Ausgabe verzichtet. Für diesen Fall ist die Bundesrepublik Deutschland bereit, auf die Geltendmachung von Ansprüchen aus allen vom Deutschen Reich im Umtauschwege erworbenen Schuldverschreibungen österreichischer Anleihen Verzicht zu leisten.

Um den Ausschluss der in österreichischem Besitz befindlichen Schuldverschreibungen der Reichsanleihe 1938 II. Ausgabe sicherzustellen, soll in das in Vorbereitung befindliche Reichs Anleihe-Bereinigungs-

above, provided that the bonds corresponding to such coupons have not been acquired for the purpose of final redemption. The procedure to be followed in effecting payment will be agreed between the Governments of Austria, the Federal Republic of Germany and the United States of America.¹

4. The views of the German Delegation regarding the arrangement to apply to the bonds of the Reichsanleihe 1938 II held in Austrian ownership have been set forth in the Annex attached.

Yours, etc.

ANNEX

In settling the liability for the Austrian External Loans assumed by the Federal Republic of Germany, the German Delegation has proceeded on the expectation that the Austrian Federal Government will waive, in its own name and in that of all Austrian nationals, the assertion of all claims arising out of the bonds of the Reichsanleihe 1938 II acquired by them. In this case the Federal Republic of Germany will be prepared to renounce the assertion of claims arising out of all bonds of Austrian loans acquired by the German Reich by way of exchange.

In order to ensure the exclusion of the bonds of the Reichsanleihe 1938 II held in Austrian ownership, it is proposed to include in the Reich Loan Validation Law now in the course of preparation a provi-

¹ This paragraph does not appear in the translation provided by the Government of the United Kingdom; the translation reproduced herein has been made by the Secretariat of the United Nations.

Ce paragraphe ne figure pas dans la traduction fournie par le Gouvernement du Royaume-Uni ; la traduction donnée ci-dessus a été établie par le Secrétariat de l'Organisation des Nations Unies.
gesetzt die Bestimmung aufgenommen wer-
den, dass die Bedienung von Schuldver-
schreibungen der vorgenannten Anleihe, 
die sich in der Hand von Ausländern be-
finden, nur gegen den Nachweis erfolgt, 
dass sie die Schuldverschreibungen am 
1. Januar 1945 ausserhalb Deutschlands 
und Österreichts befunden haben.

sion to the effect that service on bonds of 
the aforementioned loan held by foreigners 
will only be made when proof has been 
furnished that on January 1, 1945, the 
bonds were physically outside Germany 
and Austria.

[TRADUCTION — TRANSLATION]

ANNEXE 1

La délégation allemande pour les dettes extérieures au Council of the Corporation of Foreign 
Bondholders, aux bons soins de sir Otto Niemeyer, G.B.E., K.C.B.

243-18 Del. 20-2092/52.

Objet : Emprunt fédéral international 7 % 1930 de la République d’Autriche

Londres, le 14 novembre 1952

Monsieur,

Afin de régler la responsabilité de la République fédérale d’Allemagne en ce qui 
concerne l’Emprunt fédéral international 7 % 1930 de la République fédérale d’Autriche, 
la délégation allemande présente la proposition suivante :

1. La République fédérale d’Allemagne versera aux agents payeurs, dans les devises 
requises pour les diverses tranches, les sommes nécessaires au paiement à 75 pour 100 
des coupons de l’Emprunt fédéral international 7 % 1930 de la République fédérale 
d’Autriche qui sont échus du 12 mars 1938 au 8 mai 1945. Ces fonds seront alloués :

<table>
<thead>
<tr>
<th>Pour les dates d’échéance des coupons</th>
<th>Le</th>
</tr>
</thead>
<tbody>
<tr>
<td>1.7.1938</td>
<td>1.7.1953</td>
</tr>
<tr>
<td>1.1.1939 + 1.7.1939</td>
<td>1.7.1954</td>
</tr>
<tr>
<td>1.1.1940</td>
<td>1.7.1955</td>
</tr>
<tr>
<td>1.7.1940 + 1.1.1941</td>
<td>1.7.1956</td>
</tr>
<tr>
<td>1.7.1941</td>
<td>1.7.1957</td>
</tr>
<tr>
<td>1.1.1942 + 1.7.1942</td>
<td>1.7.1958</td>
</tr>
<tr>
<td>1.1.1943</td>
<td>1.7.1959</td>
</tr>
<tr>
<td>1.7.1943 + 1.1.1944</td>
<td>1.7.1960</td>
</tr>
<tr>
<td>1.7.1944</td>
<td>1.7.1961</td>
</tr>
<tr>
<td>1.7.1945</td>
<td>1.7.1962</td>
</tr>
</tbody>
</table>

Aux mêmes dates, la République fédérale d’Allemagne remboursera aux agents 
payeurs et aux trustees les frais, droits et dépenses afférents à l’échéance de ces coupons, 
calculés selon les montants effectivement dépensés.

Le versement se fera par accord avec l’agent payeur.

2. La République fédérale d’Allemagne fournira au trustee une obligation énonçant 
l’engagement défini au paragraphe 1.
3. Pour les tranches de l’emprunt autres que la tranche dollar, les agents payeurs seront tenus de veiller à ce que les fonds fournis par la République fédérale d’Allemagne pour le paiement des coupons servent uniquement à payer les coupons qui seraient validés si la loi de validation des valeurs mobilières allemandes émises à l’étranger et ses règlements d’application leur étaient applicables.

Pour ce qui est de la tranche dollar de l’emprunt, la République fédérale d’Allemagne veillera à ce que tous les coupons échus du 12 mars 1938 au 8 mai 1945 soient payés comme il est dit au paragraphe 1, dans la mesure où les titres correspondants n’auront pas été acquis aux fins de rachat définitif. Les modalités du paiement seront arrêtées d’un commun accord par les Gouvernements de l’Autriche, de la République fédérale d’Allemagne et des États-Unis d’Amérique.


Veuillez agréer, etc.

APPENDICE

Pour le règlement de la responsabilité qu’a assumée la République fédérale d’Allemagne en ce qui concerne les emprunts extérieurs autrichiens, la délégation allemande a considéré que le Gouvernement fédéral autrichien renoncerait, en son nom et en celui des ressortissants autrichiens, à toutes réclamations concernant les obligations Reichsanleihe 1938/II acquises par eux. Si tel est bien le cas, la République fédérale d’Allemagne est prête à renoncer à toutes réclamations concernant les titres d’emprunts autrichiens acquis par le Reich allemand par voie d’échange.

Afin d’assurer l’exclusion des obligations Reichsanleihe 1938/II détenues par des porteurs autrichiens, il est proposé d’inclure dans la loi de validation des emprunts du Reich, qui est en préparation, une disposition stipulant que le service des obligations de l’emprunt susmentionné détenues par des étrangers ne sera assuré que lorsqu’il sera prouvé que, le 1er janvier 1945, les obligations étaient matériellement hors de l’Allemagne et de l’Autriche.

ANLAGE 2 — ANNEX 2

The German Delegation for External Debts to the Council of the Corporation of Foreign Bondholders, c/o Sir Otto Niemeyer, G.B.E., K.C.B.

Subject: Austrian Kredit-Anstalt-Government Bonds 1936


Sehr geehrter Sir Otto! Dear Sir Otto,

Die Deutsche Delegation macht zur Regelung der Haftung der Bundesrepublik.
Deutschland für die Österreichischen Kreditanstalt - Regierungsschuldverschreibungen 1936 folgenden Vorschlag:


für die Tilgungsfälligkeiten
vom
1.9.1938 + 1.3.1939 + 1.9.1939 . . . 1.7.1953
1.3.1940 + 1.9.1940 + 1.3.1941 . . . 1.7.1954
1.9.1941 + 1.3.1942 + 1.9.1942 . . . 1.7.1955
1.3.1943 + 1.9.1943 + 1.3.1944 . . . 1.7.1956
1.9.1944 + 1.3.1945 . . . . . 1.7.1957

Die Bereitstellung der Mittel erfolgt nach näherer Vereinbarung mit den Zahlungsagenten.

2. Die Bundesrepublik Deutschland stellt über die zu 1. festgelegte Verpflichtung eine Schuldbescheinigung aus, die bei der Bank deutscher Länder zu hinterlegen ist.

3. Die Zahlungsagenten sind verpflichtet, die von der Bundesrepublik Deutschland zum Zwecke der Kuponeinlösung bereitgestellten Mittel nur für die Einlösung solcher Tilgungsscheine zu verwenden, die bei Anwendung der Bestimmungen des Deutschen Auslandsbondsbereinigungs gesetzes und seiner Durchführungsverordnungen anerkannt werden müssten.


[many in respect of the Austrian Kredit-Anstalt-Government Bonds 1936 the German Delegation herewith submits the following proposal:

(1) The Federal Republic of Germany will pay to the paying agents in the currencies required for the various tranches the sums necessary for the redemption of the amortisation coupons of the Austrian Kredit-Anstalt-Government Bonds 1936 which have become due for the period between 12th March, 1938, and the 8th May, 1945. These funds will be allocated—

for the redemption maturity dates on
1.9.1938 + 1.3.1939 + 1.9.1939 . . . 1.7.1953
1.3.1940 + 1.9.1940 + 1.3.1941 . . . 1.7.1954
1.9.1941 + 1.3.1942 + 1.9.1942 . . . 1.7.1955
1.3.1943 + 1.9.1943 + 1.3.1944 . . . 1.7.1956
1.9.1944 + 1.3.1945 . . . . . 1.7.1957

Payment will be made by arrangement with the paying agents.

(2) The Federal Republic of Germany will issue a bond on the obligation laid down according to paragraph (1) above, which bond shall be deposited with the Bank deutscher Länder.

(3) The paying agents are under obligation to employ the funds allocated by the Federal Republic of Germany for the purpose of redemption of coupons solely towards redeeming such amortisation coupons as would be validated if the provisions of the German Foreign Bond Validation Law and the Executory Ordinances thereto were applicable.

(4) The views of the German Delegation regarding the arrangement to apply to the bonds of the Reichsanleihe 1938 II held in Austrian ownership have been set forth in the Annex attached.

[For the text of the annex, see p. 385 of this volume —
Pour le texte de l'appendice, voir p. 387 de ce volume.]
Dear Mr. Abs,

I have to thank you for your letters of the 14th November with regard to the settlement of the Austrian 7% International Federal Loan of 1930 and the Austrian Kreditanstalt Government Bonds 1936.

I am in agreement with the terms of these letters which the Councils concerned will recommend to the Bondholders.

I am bringing these Agreements formally to the notice of the Tripartite Commission.

Yours, etc.

Otto NIEMEYER

---

Monsieur,

J'ai l'honneur d'accuser réception de vos lettres du 14 novembre concernant le règlement de l'emprunt fédéral international 7% 1930 de la République d'Autriche et des obligations Kredit-Anstalt — Gouvernement autrichien 1936.

J'approuve les termes de ces lettres, et les Conseils intéressés les recommanderont aux obligataires.

J'informe officiellement de ces accords la Commission tripartite.

Veuillez agréer, etc.

Otto NIEMEYER
The German Delegation for External Debts to the Representative of Her Majesty's Government at Her Majesty's Treasury, London (*)

[German text — Texte allemand]

243-18 Del. 20-1922/52.

Betr.: Haftung der Bundesrepublik Deutschland für die Garantierten Österreichischen Auslandsanleihen

London, den 30. Oktober 1952

Die Deutsche Delegation schlägt vor, dass die Bundesrepublik Deutschland die ihr gemäß Schreiben des Bundeskanzlers an die Alliierte Hohe Kommission vom 6. März 1951 obliegende Haftung für die Internationale Garantierte Bundesanleihe der Republik Österreich von 1933 und die Garantierte Österreichische Konversionsanleihe von 1934 nach folgendem Verfahren erfüllt:


[Translation — Traduction]

243-18 Del. 20-1922/52.

Subject: Liability of the German Federal Republic for Austrian External Guaranteed Loans

London, 30th October, 1952

The German Delegation proposes that the German Federal Republic should fulfil in the following manner its obligation under the letter of 6th March, 1951, from the German Federal Chancellor to the Allied High Commission, with respect to the Austrian Government International Guaranteed Loan 1933 and the Austrian Government Guaranteed Conversion Loan 1934:

The Federal Republic of Germany will pay, in settlement of all claims of whatever nature due to the Guarantor Governments (with the exception of Czechoslovakia) which arise out of the above-mentioned loans and which may be asserted against the Federal Republic of Germany, in respect of the period 12th March, 1938, to 8th May, 1945, a global sum in various foreign currencies which, expressed in sterling at the present rates of exchange, amounts to £3,600,000. The foreign currency quotas in which this amount will be payable will be communicated to the German Delegation in due course.

The resultant amounts, established in accordance with the rates of exchange at present ruling between the £ sterling and the various currencies, will be payable in fifteen equal annual instalments on the 1st July of each year, beginning on the 1st July, 1953.

(*) This letter was also addressed to the Representatives of the French and Italian Governments at London.
The payments will be made for account of the Guarantor Governments (with the exception of Czechoslovakia) at the national banks, the names of which will be communicated to the German Delegation.

The Federal Republic of Germany will deliver to the Governments concerned interest-free promissory notes comprising the separate foreign currency amounts in which the German Federal Republic will settle the annuities. The promissory notes will be returned to the German Federal Republic after payment.

The foregoing offer of settlement is made on the understanding that it is subject to the approval of those Guarantor Governments (with the exception of Czechoslovakia) which have not participated in the negotiations.

The point of view of the German Delegation concerning the settlement of bonds of the Reichsanleihe 1938, second issue, in Austrian possession, is set out in the attached annex.

WOLFF

[For the text of the annex, see p. 385 of this volume — Pour le texte de l’appendice, voir p. 387 de ce volume.]
The Representative of the United Kingdom
Government at Her Majesty's Treasury,
London, to the German Delegation for
External Debts

H.M.T. Reference:
O.F.10/229/011

TREASURY CHAMBERS
LONDON, S.W.1.

4th November, 1952

Liability of the German Federal Republic
for Austrian External Loans

Dear Sir,

I have pleasure in acknowledging receipt,
on behalf of the United Kingdom Govern-
ment and of the representatives of the
French and Italian Governments, of your
note of 30th October, 1952, containing pro-
posals for the settlement by the German
Federal Republic of the claims of the
Guarantor Governments (other than Cze-
choslovakia) in respect of payments made
on the two Austrian Guaranteed Loans
for the period 12th March, 1938, to 8th
May, 1945.

These proposals seem acceptable to us,
although certain drafting amendments may
be necessary when the official text of the
agreement is drawn up. But, as recognised
in the penultimate paragraph of your note,
it will be necessary to submit the offer of
settlement for the consideration of the
Guarantor Governments (other than Cze-
choslovakia), which have not participated
in the recent discussions with the German

Le représentant du Gouvernement du Royau-
me-Uni au Trésor de Sa Majesté (Londres)
da la délégation allemande pour les dettes
extérieures

H.M.T. Reference:
O.F. 10/229/011

TREASURY CHAMBERS
LONDRES, S.W.1.

Le 4 novembre 1952

Responsabilité de la République fédérale
d'Allemagne en ce qui concerne les emprunts
extérieurs autrichiens

Monsieur,

J'ai l'honneur d'accuser réception, au
nom du Gouvernement du Royaume-Uni
et des représentants des Gouvernements
français et italien, de votre note du 30 oc-
tobre 1952 renfermant des propositions en
vue du règlement par la République fédé-
rale d'Allemagne des créances des Gouver-
nements garants (autres que le Gouverne-
ment tchécoslovaque) correspondant aux
échéances des deux emprunts autrichiens
garantis comprises dans la période 12 mars
1938-8 mai 1945.

Ces propositions nous semblent accep-
tables, bien que certaines modifications de
détail puissent se révéler nécessaires lors-
que le texte officiel de l'accord sera élaboré.
Mais, comme vous le reconnaissez à l'avant-
dernier alinéa de votre note, il faudra sou-
mettre la proposition de règlement à l'exa-
men des Gouvernements garants (autres
que le Gouvernement tchécoslovaque) qui
n'ont pas participé aux récentes discussions
Delegation. This will be done on the occasion of the meeting of the Committee of Control of the Guarantor States for the Reconstruction of Austria, which will be taking place in Rome on 24th November, and the views of the interested Governments on the offer of settlement and on the method of division of the proposed annuities will be conveyed to the German Delegation as soon as possible thereafter.

Yours, etc.

H. H. Eggers

avec la délégation allemande. Cela se fera lors de la réunion du Comité de contrôle des États garants pour la reconstruction de l'Autriche, qui se tiendra à Rome le 24 novembre, et les opinions des Gouvernements intéressés sur la proposition de règlement et sur la méthode de répartition des annuités proposées seront communiquées à la délégation allemande aussitôt que possible.

Veuillez agréer, etc.

H. H. Eggers
The Representatives of the United Kingdom, the French and the Italian Governments at London to the German Delegation for External Debts

London, S.W. 1, 30th December, 1952

Dear Mr. Abs,

We refer to the note (243-18 Del. 20-1922/52) dated 30th October, 1952, from Ministerialdirektor Wolff, containing the proposals of the German Delegation for Foreign Debts for the settlement of the claims of the Guarantor Governments (other than Czechoslovakia) in respect of the payments made by them on the two Austrian Government Guaranteed Loans for the period 12th March, 1938, to 8th May, 1945.

These proposals were considered by the Guarantor Governments (other than Czechoslovakia) at meetings of the Committee of Control of the Guarantor States for the Reconstruction of Austria held in Rome between 24th November, 1952, and 6th December, 1952. As a result, we have been authorised by those Guarantor Governments to inform you:

that they are willing to accept, in settlement of all claims of whatever nature due to them in respect of the Austrian Government International Guaranteed Loan, 1933, and the Austrian Government Guaranteed Conversion Loan, 1934, for the period 12th March, 1938, to 8th May, 1945, a global sum in various currencies which, expressed in sterling at present rates of exchange, amounts to £3,600,000, and which will be payable and transferable for account of the Governments concerned in fifteen annual instalments on 1st July each year, beginning 1st July, 1953, in accordance with the attached schedule;

further, that they have taken note of the point of view of the German Delegation contained in the Annex to Ministerialdirektor Wolff's note of the 30th December(1) concerning arrangements to apply to bonds of the Reichsanleihe 1938 II issue in Austrian possession, on the understanding that any negotiations which the German Federal Republic may conduct with the Austrian Government in this connexion shall not affect the present agreement between the German Federal Republic and the Guarantor Governments (other than Czechoslovakia).

We suggest that, if you agree, the letter of Ministerialdirektor Wolff and this reply should be submitted to the Tripartite Commission on German Debts for inclusion in the Annexes to the inter-governmental Agreement on German External Debts.

Yours faithfully,

H. H. Eggers Paul Leroy-Beaulieu A. Zecchi

(1) Should read 30th October.
Enclosure to letter of 30th December, 1952.

**Division of Annual Payment by the German Federal Government among the Guarantor Governments**

<table>
<thead>
<tr>
<th>Guarantor Government</th>
<th>Share of annual payment expressed in £ sterling (1)</th>
<th>Currency in which payment is required (2)</th>
<th>Share of annual payment shown in Column (2) to be paid in currency shown in Column (3) (3)</th>
<th>Rate of Exchange from £ sterling to currency shown of payment (5)</th>
<th>Annual payment required (6)</th>
<th>Currency (7)</th>
</tr>
</thead>
<tbody>
<tr>
<td>United Kingdom</td>
<td>115,238</td>
<td>£ sterling</td>
<td>115,238</td>
<td>—</td>
<td>115,238</td>
<td>£ sterling</td>
</tr>
<tr>
<td>France</td>
<td>59,701</td>
<td>£ sterling</td>
<td>41,885</td>
<td>14·49</td>
<td>41,885</td>
<td>£ sterling</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Swiss fr.</td>
<td>3,293</td>
<td>10,057,740</td>
<td>40,323</td>
<td>Swiss fr.</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Dutch fl.</td>
<td>714</td>
<td>7,498</td>
<td>7,498</td>
<td>Dutch fl.</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Austrian sch.</td>
<td>103</td>
<td>7,498</td>
<td>7,498</td>
<td>Austrian sch.</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Czecho-slovak cr.</td>
<td>424</td>
<td>59,360</td>
<td>59,360</td>
<td>Czecho-slovak cr.</td>
</tr>
<tr>
<td>Italy</td>
<td>42,218</td>
<td>Italian lire</td>
<td>42,218</td>
<td>1,749·8</td>
<td>73,873,056</td>
<td>Italian lire</td>
</tr>
<tr>
<td>Belgium</td>
<td>7,574</td>
<td>Belgian fr.</td>
<td>7,574</td>
<td>1,060,360</td>
<td>793,268</td>
<td>Belgian fr.</td>
</tr>
<tr>
<td>Spain</td>
<td>7,188</td>
<td>Pesetas</td>
<td>7,188</td>
<td>785,148</td>
<td>785,148</td>
<td>Pesetas</td>
</tr>
<tr>
<td>Denmark</td>
<td>2,072</td>
<td>Danish kr.</td>
<td>2,072</td>
<td>40,072</td>
<td>40,072</td>
<td>Danish kr.</td>
</tr>
<tr>
<td>Netherlands</td>
<td>1,996</td>
<td>Dutch fl.</td>
<td>1,996</td>
<td>21,237</td>
<td>21,237</td>
<td>Dutch fl.</td>
</tr>
<tr>
<td><strong>Totals</strong></td>
<td><strong>240,000</strong></td>
<td></td>
<td><strong>240,000</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

(Initialled) H. H. E.  
P. L. B.  
A. Z.
The German Delegation propose that the Federal Republic of Germany should fulfil in the following manner its liability under the terms of the letter of the Federal Chancellor to the Allied High Commission of 6th March, 1951, with respect to the 5 per cent. governmental Funding Bonds of the Republic of Austria in French hands (1st and 3rd issues).

The Federal Republic of Germany will pay, in settlement of all claims which may be asserted against it on any legal basis with respect to the above-mentioned bonds, a total amount equivalent to 135,795 DM. and payable in French francs in a lump sum calculated on the basis of the rate of exchange ruling on 1st July, 1953.

Payment will be made to the account of the creditors at the Banque des Pays de l’Europe Centrale in its capacity as Paying Agent. The German Delegation assume that this Bank will continue to act as Paying Agent.

The Federal Republic of Germany will issue to the above-mentioned Paying Agent an interest-free bond of the said amount which shall be returnable after redemption.

The view of the German Delegation on the settlement of bonds of the Reichsan-
schem Besitz befindlichen Schuldverschreibungen der Reichsanleihe 1938 II, Ausgabe ist in dem anliegenden Annex dargelegt.

Hermann J. Abs

[For the text of the annex, see p. 385 of this volume —
Pour le texte de l'appendice, voir p. 387 de ce volume.]

TRADUCTION — TRANSLATION

ANNEXE 7

La délégation allemande pour les dettes extérieures à l'Association nationale des porteurs français de valeurs mobilières, Paris

243-18 Del. 20-1812/52.

Objet : Responsabilité de la République fédérale d'Allemagne pour les emprunts extérieurs autrichiens

Londres, le 20 octobre 1952

La délégation allemande propose que la République fédérale d'Allemagne s'acquitte comme suit de la responsabilité qui lui incombe, aux termes de la lettre que le Chancelier fédéral a adressée le 6 mars 1951 à la Haute Commission alliée, en ce qui concerne les obligations des emprunts Funding 5 % de la République d'Autriche (Ire et IIIe tranche) détenues par des porteurs français.

La République fédérale d'Allemagne versera, en règlement des créances de tout ordre dont elle serait redevable au titre de ces obligations, l'équivalent de 135.795 Deutschemark payable en francs français, au taux de change pratiqué le 1er juillet 1953.

Le paiement sera effectué au compte des créanciers à la Banque des pays de l'Europe centrale, en sa qualité d'agent payeur. La délégation allemande suppose que cette Banque continuera à agir en cette qualité.

La République fédérale d'Allemagne délivrera à l'agent payeur une obligation sans intérêt pour le montant indiqué, qui sera restituée après réception du versement.

Les vues de la délégation allemande concernant le règlement des obligations Reichsanleihe 1938/II détenues par des porteurs autrichiens sont exposées dans l'appendice ci-joint.

Hermann J. Abs

[Pour le texte de l'appendice, voir p. 387 de ce volume —
For the text of the annex, see p. 385 of this volume.]
Gentlemen,

We have the honour to acknowledge the receipt of your letter of 20th October.

We confirm that we agree in principle to the proposal contained in that letter for the settlement of the liability of the Federal Republic of Germany with respect to the service of the 5 % Funding Loans, 1923 and 1926, of the Republic of Austria, denominated in French francs.

We propose, however, that this proposal should be defined more clearly, as follows:

I.—The sum of 135,795 DM. represents only the equivalent of the total amount of the unpaid coupons which we have determined by common agreement, i.e., 11,316,270 French francs.

In accordance with the letter of the Federal Chancellor to the Allied High Commission of 6th March, 1951, the amount of banking charges and advertising expenses has to be added to this amount.

The total amount to be transferred must therefore be fixed at 12,510,000 French francs, as explained in the attached note.

II.—It will be necessary to specify that payment will be made, in favour of the creditors, to the credit of the Association nationale des porteurs français de valeurs mobilières, at the Banque des Pays de l’Europe centrale.

The above-mentioned bank has confirmed to us that it will continue to act as principal paying agent.

III.—The interest-free bond mentioned in paragraph 4 of your letter should be sent to the Association nationale (which will return it when payment has been received), and not to the paying agent.

This Bond should specify the undertaking to pay on 1st July, 1953, the amount in French francs referred to at the end of paragraph I, i.e., 12,510,000 francs.

We should be grateful if you would confirm, as we hope will be the case, that you agree to the above clarification.

Please accept, Gentlemen, the expression of our highest consideration.

Léon Martin
Director
ASSOCIATION NATIONALE DES PORTEURS FRANÇAIS DE VALEURS MOBILIÈRES
PARIS (17)

5 % Funding Loans, 1923, and 5 % 1926, of the Republic of Austria denominated in French Francs

1. The following factors must be taken into consideration in evaluating the bank charges and advertising expenses relating to payment of coupons due in the period from 1st July, 1938, to 1st January, 1945, both dates inclusive:

(a) The bank charge for payment of the whole series of 14 half-yearly coupons due from 1st July, 1938, to 1st July, 1945, both dates inclusive, might be fixed at 6 francs a bond, whatever the nominal amount (100 francs, 500 francs, 1,000 francs) of the bonds. This charge, which is that adopted at the recent settlement of unpaid coupons of the Serbian and Yugoslav loans, will be accepted, in the present case, both by the Banque des Pays de l'Europe centrale and the other paying agents.

(b) The Note which the Austrian Minister of Finance addressed to us on 17th October, 1951, and of which we sent you a copy on 18th October, indicated that the number of bonds remaining in circulation after the exchange of certain bonds against bonds of the 4½ % Reich Loan, 1938, second issue, are made up as follows:

<table>
<thead>
<tr>
<th>Number of Bonds</th>
<th>Nominal Capital</th>
</tr>
</thead>
<tbody>
<tr>
<td>5% Loan, 1923—</td>
<td></td>
</tr>
<tr>
<td>100-Franc Bonds</td>
<td>128,798</td>
</tr>
<tr>
<td>500-Franc Bonds</td>
<td>14,488</td>
</tr>
<tr>
<td>1,000-Franc Bonds</td>
<td>5,144</td>
</tr>
<tr>
<td>Total</td>
<td>148,430</td>
</tr>
<tr>
<td></td>
<td>25,267,800</td>
</tr>
</tbody>
</table>

| 5% Loan, 1926—  |                 |
| 100-Franc Bonds | 42,093          |
| 500-Franc Bonds | 5,776           |
| 1,000-Franc Bonds| 2,642           |
| Total           | 50,511          |
|                 | 9,739,300       |

GRAND TOTAL 198,941 35,007,100

On the basis that 198,941 bonds are in circulation, payment of a charge of 6 francs would require a total outlay of : Francs 1,193,646.

However, as we have informed you, the following amortisation was paid in 1938-1939:

Frances

<p>| | |</p>
<table>
<thead>
<tr>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>1923 Loan</td>
<td>1,271,900</td>
</tr>
<tr>
<td>1926 Loan</td>
<td>560,000</td>
</tr>
<tr>
<td>Total</td>
<td>1,831,900</td>
</tr>
</tbody>
</table>
The distribution of this capital payment of Francs 1,831,900 among the three categories of bonds is not known to us. As it represents some 5 1/2% of the capital of Francs 35,007,100 referred to above, it would, however, be reasonable to reduce the amount of banking charges by Francs 65,650.

(c) The advertising expenses will not be very high. They may therefore be offset by the reduction of Francs 65,650 indicated in the preceding paragraph.

The total amount of banking charges and advertising expenses may therefore be fixed at: Francs 1,193,646

and the total amount to be remitted on 1st July, 1953, to the Banque des Pays de l'Europe centrale, at:

Francs 11,316,270 + 1,193,646 = Francs 12,509,916

or, in round figures: Francs 12,510,000.
The German Delegation for External Debts to the Association Nationale des Porteurs Français de Valeurs Mobilières, Paris (17

[GERMAN TEXT — TEXTE ALLEMAND]


Betr. : Haftung der Bundesrepublik Deutschland für die österreichischen äusseren Anleihen (5 % Schuldverschreibungen der Republik Österreich für Staatsschuldrückstände [Fundings] in französischem Besitz)


Sehr geehrte Herren !


Mit, etc.

Hermann J. Abs

[TRADUCTION — TRANSLATION]


Re: Liability of the Federal Republic of Germany for the Austrian External Loans (5 % Funding Bonds of the Republic of Austria in French Hands)

London, 13th November, 1952

Gentlemen,

The German Delegation acknowledge the receipt of your letter dated 8th November, 1952. They agree with the settlement provided for therein.

Yours, etc.

Hermann J. Abs

[TRADUCTION — TRANSLATION]

ANNEXE 9

La délégation allemande pour les dettes extérieures à l'Association nationale des porteurs français de valeurs mobilières, Paris (17e)


Objet : Responsabilité de la République fédérale d'Allemagne pour les emprunts extérieurs autrichiens (obligations Funding 5 % de la République d'Autriche entre les mains de porteurs français)

Londres, le 13 novembre 1952

Messieurs,

La délégation allemande a l'honneur d'accuser réception de votre lettre du 8 novembre 1952 et approuve le règlement qui y est proposé.

Veuillez agréer, etc.

Hermann J. Abs
The German Delegation propose that the Federal Republic of Germany should fulfil in the following manner its liability under the terms of the letter of the Federal Chancellor to the Allied High Commission of 6th March, 1951, with respect to the pre-war loans of the Austro-Hungarian Empire serviced through the Caisse Commune, namely: (i) Austrian Government Gold Rentes, 4 per cent.; (ii) Austrian 4½ per cent. redeemable Treasury Notes, 1914; (iii) Austro-Hungarian Chartered State Railway (STEG) Bonds.

The Federal Republic of Germany will pay, in settlement of all claims which could be asserted against it on any legal basis with respect to the above-mentioned loans, a total amount to the equivalent of: 4,154,213 DM.

Payment will be made to the account of the creditors at the Caisse Commune, Paris.

A breakdown by percentages of the said yearly instalments according to the currencies which are involved in the case of the various loans and in which payment
for the rate of exchange ruling on the appropriate date will be transmitted to the German Delegation as soon as possible.

The Federal Republic of Germany will send to the specified paying agents, in respect of the various annuities, non-interest bearing bonds, which will state the equivalent in DM., the percentages due in the various currencies in which payment is to be made and the relevant due dates of payment. The bonds will be returnable to the Federal Republic of Germany after redemption.

The view of the German Delegation on the settlement of bonds of the Reichsanleihe, 1938, issue II, in Austrian hands, is stated in the attached Annex.

Hermann J. Abs

[For the text of the annex, see p. 385 of this volume —
Pour le texte de l’appendice, voir p. 387 de ce volume.]

[TRADUCTION — TRANSLATION]

ANNEXE 10

La délégation allemande pour les dettes extérieures à la Caisse commune des porteurs des dettes publiques autrichienne et hongroise, Paris

243-18 Del. 20-1812/52.

Re.: Responsabilité de la République fédérale d’Allemagne pour les emprunts extérieurs autrichiens

Londres, S.W. 1, le 20 octobre 1952

La délégation allemande propose que la République fédérale d’Allemagne s’acquitte comme suit de la responsabilité qui lui incombe, aux termes de la lettre que le Chancelier fédéral a adressée le 6 mars 1951 à la Haute Commission alliée, en ce qui concerne les emprunts d’avant-guerre de l’Empire austro-hongrois dont le service est centralisé par la Caisse commune, à savoir : la rente autrichienne 4 % or ; les mandats du Trésor autrichien 4 1/2 % 1914 ; les obligations de la Société austro-hongroise des chemins de fer de l’État (STEG).
The Caisse Commune des Porteurs des Déltes pubilques autrichienne et hongroise émises avant la guerre, to the German Delegation for External Debts

Liability of the Federal Republic of Germany in respect of Austrian External Loans (Loans the service of which is centralised with the Caisse Commune)


Paris, 10th November, 1952

Gentlemen,

We have the honour to acknowledge the receipt of your letter of 20th October.

We confirm that we agree in principle to the proposals contained in the letter under reference for the settlement of the liability of the Federal Republic of Germany with respect to the service, which is centralised with this Institution, of the following loans:

Austrian 4 % Gold Rentes.
Austrian 4½ % Redeemable Treasury Notes, 1914.
Austro-Hungarian Chartered State Railway (STEG) Bonds.

We propose, however, to define this proposal more clearly, as follows:

I.—The sum of 4,154,213 Deutschmarks represents, according to the oral explanations which you were good enough to give us, the "present value," to be paid in five yearly instalments, of 15 equal yearly instalments of 350,000 Deutschmarks each.

We would wish these five yearly instalments to be, after recalculation of their present value, of an equal amount and not of a progressive amount as suggested in your above-mentioned letter.

According to our calculation, the amount of each of these equal yearly instalments would be : 803,391 DM.

II.—The above-mentioned amount of 803,391 DM. represents the equivalent, at the official rate of exchange, of the following amounts:

- 4 % Gold Rentes .............................. $ 163,442
- Redeemable Treasury Notes ................ Swiss francs 119,198
- STEG 4 % Bonds ............................... French francs 206,350

III.—The amount of bank charges and advertising expenses has to be added to the amount of each yearly instalment.
On the last occasion when payment was made on coupons of the Austrian loans in 1951, the bank charges were fixed at $\frac{5}{100}$ of the amount paid and advertising expenses amounted to:

- 27,000 Belgian francs
- 200 Netherlands florins
- 1,250 Swiss francs
- 220 £ sterling
- 105,000 French francs

That is to say, to $1,805 = 7,580$ DM.

The Bank charges would amount each year to $1,236 = 5,193$ DM.

The yearly instalment should therefore be increased by

$1,805 + 1,236 = 3,041$

or

$7,580$ DM. + $5,193 = 12,773$ DM.

The portion of the yearly instalment expressed in $ will therefore become $166,483$ and the total amount of the yearly instalment would therefore be $816,164$ DM.

IV.—The payments would be made, to the account of the Caisse Commune, at banks to be designated by us in the currency of each of the interested countries on the basis of the following breakdown:

<table>
<thead>
<tr>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>England</td>
</tr>
<tr>
<td>Belgium</td>
</tr>
<tr>
<td>France</td>
</tr>
<tr>
<td>Netherlands</td>
</tr>
<tr>
<td>Switzerland</td>
</tr>
</tbody>
</table>

V.—The non-interest-bearing bonds, referred to in paragraph IV of your letter should be issued to the Caisse Commune, which would return them after receipt of the payment.

The bonds would specify the undertaking to pay on 1st July of each year, beginning on 1st July, 1953, and ending on 1st July, 1957, the equivalent of the following individual amounts:

- 166,483 U.S.$
- 119,198 Swiss francs.
- 206,350 French francs.

We should be grateful if you would confirm, as we hope will be the case, that you agree to the statement set out above.

Please accept, etc.

L. Martin
Secretary-General

Paul Gauthier
President
ANLAGE 12 — ANNEX 12

The German Delegation for External Debts to the Caisse Commune des Porteurs des Dettes publiques autrichienne et hongroise émises avant la guerre, Paris (17e)

[GERMAN TEXT — TEXTE ALLEMAND]

243-18 Del. 20-2032/52.

Betr.: Haftung der Bundesrepublik Deutschland für die österreichischen äusseren Anleihen (Caisse Commune-Anleihen)


Sehr geehrte Herren!


81.616,40 DM. in Pfund Sterling,
81.616,40 DM. in belgischen Franken,
408.082,— DM. in französischen Franken,
32.646,56 DM. in Holländischen Gulden, und
212.202,64 DM. in Schweizer Franken

816.164,— DM.

Mit, etc.

Hermann J. Abs

[TRANSLATION — TRADUCTION]

243-18 Del. 20-2032/52.

Re.: Liability of the Federal Republic of Germany for Austrian External Loans (Caisse Commune Loans)

London, 13th November, 1952

Gentlemen,

The German Delegation acknowledge the receipt of your letter of 10th November, 1952. They agree with the settlement provided therein. After the entry into force of the London Intergovernmental Agreement the Federal Republic of Germany will issue to the Caisse Commune a bond in which it will undertake to pay on 1st July of each year, beginning on 1st July, 1953, 5 equal yearly instalments of an amount in foreign currencies equivalent to 816,164 DM. made up as follows:

81,616 ·40 DM. in £ sterling.
81,616 ·40 DM. in Belgian francs.
408,082 DM. in French francs.
32,646 ·56 DM. in Dutch guilders.
212,202 ·64 DM. in Swiss francs.

816,164 DM.

Yours, etc.

Hermann J. Abs
Schuldschein

Die Bundesrepublik Deutschland zahlt zur Abgeltung aller Ansprüche, die ihr gegenüber aus irgendeinem Rechtsgrund aus folgenden Anleihen, und zwar

4 % Österreichischen Goldrente,
4½ % Österreichischen Staatsschatzanweisungen von 1914,
Österreichisch-Ungarischen Staatseisenbahn-Gesellschaft (STEG)-Prioritäten,
5 gleiche Jahresraten im Gegenwert von 166.483 Dollars der Vereinigten Staaten von Amerika,
119.198 Schweizer Franken,
206.350 Französischen Franken.

Die Zahlungen werden geleistet zu 10 % in englischer Währung,
zeu 10 % in belgischer Währung,
zeu 50 % in französischer Währung,
zeu 4 % in holländischer Währung,
zeu 26 % in schweizer Währung.

Die Zahlungen erfolgen an diejenigen Banken, die von der Caisse Commune des Porteurs des Dettes publiques autrichienne et hongroise bezeichnet werden.

Bad Homburg v.d.H.,
den .............
Für die Bundesrepublik Deutschland
Bundesschuldenverwaltung

[Translation — Traduction]

Certificate of Indebtedness

The Federal Republic of Germany will pay in settlement of all claims which can be asserted against it for any reason in respect of the following loans:

Austrian 4 % Gold Rentes,
Austrian 4½ % Redeemable Treasury Notes, 1914,
Austro-Hungarian Chartered State Railway (STEG) Bonds,

5 equal yearly instalments to be paid on 1st July, 1953, 1954, 1955, 1956 and 1957 respectively, to the equivalent of—
166,483 United States Dollars.

119,198 Swiss Francs.
206,350 French Francs.

Payment will be made as for—
10 % in English currency.
10 % in Belgian currency.
50 % in French currency.
4 % in Dutch currency.
26 % in Swiss currency.

Payments will be made to banks to be designated by the Caisse Commune des Porteurs des Dettes publiques autrichiennes et hongroises.

Bad Homburg v.d.H.
the .............
For the Federal Republic of Germany
Administration of the Federal Debt
[TRANSLATION — TRADUCTION]

AGREEMENT REGARDING PAYMENTS INTO THE DEUTSCHE VERRECHNUNGSKASSE

No. 1

The German Delegation for External Debts to the Head of the French Delegation to the Tripartite Commission on German Debts

Bonn, 10th December, 1952

Mr. Chairman,

I have the honour to summarise as follows the results of the discussions which we have had, in implementation of the provisions of Article 10 of Appendix 6 of the Final Report of the Conference, on the settlement of arrears of payments under the Franco-German Clearing during the second World War.

At the time when Franco-German clearing operations ceased in August, 1944, there remained in suspense at the Deutsche Verrechnungskasse in Berlin a series of sums paid in, to which claim is laid on the part of the French.

Records of the origin and the extent of these payments are inadequate on both the German and the French sides. Legal objections to the French claims have, however, been invoked on the German side, on the grounds of the discharging effect of payments to the Deutsche Verrechnungskasse, and also on the grounds of the provisions of paragraph (2) of Article 5 of the future Agreement on German External Debts. On the French side it was maintained that the German debtors would be discharged from their debts, not by payment into the Deutsche Verrechnungskasse of the sums owed by them, but only upon receipt at the Office des Changes at Paris of the relevant credit notes of the Deutsche Verrechnungskasse; and that the claims of the persons entitled to receive payment against the Deutsche Verrechnungskasse, which had received the payments made by the debtors of these persons, could not be considered as arising out of the war.

In order to arrive at a practical solution, the German and French Delegations, while maintaining their respective legal positions, have reached agreement on the following provisions:

1. In full and final settlement of the claims of the French Republic and of its nationals in respect of the payment transactions referred to in paragraph 4 of this letter, the Government of the Federal Republic of Germany will make to the Government of the French Republic a single payment in satisfaction of these claims to an amount of 700,000 Deutschmarks.

2. This sum will be due on 1st October, 1953. It will not bear interest until that date.
3. The sum will be paid in Deutschmarks into a blocked account which will be opened with the Bank deutscher Länder in the name of the Government of the French Republic and which will be subject to the German exchange control regulations in force.

4. Payment of this amount will extinguish all the claims of the French Republic and of its nationals, arising out of payments which were made under the Franco-German Clearing to the Deutsche Verrechnungskasse in the German currency area as it existed in August, 1944, without being followed up by a payment to French nationals, against the Federal Republic and against German nationals who resided in this currency area in August, 1944.

5. The present Agreement does not cover the claims of the French Republic and of its nationals arising out of payments made to the Deutsche Verrechnungskasse under the German-Swiss Clearing between the Departments of Bas-Rhin, of Haut-Rhin and of Moselle, on the one hand, and Switzerland, on the other hand, which have not been followed up by a payment to the persons entitled to receive payment, such payments including those made to the Deutsche Verrechnungskasse in the three Departments referred to above and also payments by the Swiss Clearing Office to the Deutsche Verrechnungskasse in favour of intended recipients who resided in these three Departments. These payments will be the subject of a supplementary agreement as soon as it has been determined whether the amounts in question should be considered as situated in Germany or in Switzerland.

I should be grateful if you would confirm that you agree with the contents of this letter.

Please accept, &c.

Hermann J. Abs

No. 2

The Head of the French Delegation to the Tripartite Commission on German Debts to the Head of the German Delegation for External Debts

Paris, 24th December, 1952

Mr. Chairman,

I refer to your letter of the 10th December, 1952, relating to the conversations which we held in implementation of Article 10 of Appendix 6 of the Report of the Conference. I have the honour to confirm that the French and German Delegations, while each reserving its respective legal position, have reached agreement in the name of their Governments on the following provisions:

1. In full and final settlement of the claims of the French Republic and of its nationals in respect of the payment transactions referred to in paragraph 4 of this letter, the Government of the Federal Republic of Germany will make to the Government of the French Republic a single payment in satisfaction of these claims to an amount of 700,000 Deutschmarks.
2. This sum will be due on 1st October, 1953. It will not bear interest until that date.

3. The sum will be paid in Deutschmarks into a blocked account which will be opened with the Bank deutscher Länder in the name of the Government of the French Republic and which will be subject to the German exchange control regulations in force.

4. Payment of this amount will extinguish all the claims of the French Republic and of its nationals, arising out of payments which were made under the Franco-German Clearing to the Deutsche Verrechnungskasse in the German currency area as it existed in August, 1944, without being followed up by a payment to French nationals, against the Federal Republic and against German nationals who resided in this currency area in August, 1944.

5. The present Agreement does not cover the claims of the French Republic and of its nationals arising out of payments made to the Deutsche Verrechnungskasse under the German-Swiss Clearing between the Departments of Bas-Rhin, of Haut-Rhin and of Moselle, on the one hand, and Switzerland, on the other hand, which have not been followed up by a payment to the persons entitled to receive payment, such payments including those made to the Deutsche Verrechnungskasse in the three Departments referred to above and also payments by the Swiss Clearing Office to the Deutsche Verrechnungskasse in favour of intended recipients who resided in these three Departments. These payments will be the subject of a supplementary agreement as soon as it has been determined whether the amounts in question should be considered as situated in Germany or in Switzerland.

Please accept, etc.

François-Didier GREGH
[TRANSLATION — TRADUCTION]

AGREEMENT ON THE SETTLEMENT OF SWISS FRANC LAND CHARGES.
ZURICH, FEBRUARY 23, 1953

The negotiations provided for in the Joint Statement by the German and Swiss Delegations concerning the Negotiations on the Settlement of the Swiss Franc Land Charges, of 25th July, 1952, which have taken place, the "Vertrauensstelle" presiding, at Zurich between representatives of franc land charge creditors' interests, headed by Dr. Hans Koenig, and representatives of the interests of owners of the properties carrying such charges, headed by Dr. Johannes Handschumacher, have terminated in the following AGREEMENT:

Article 1

The provisions as set out hereinafter relate to franc land charges within the meaning of the Agreement between the German Reich and the Swiss Confederation concerning Swiss Gold Mortgages in Germany and certain Types of Franc Debts payable by German Debtors of 6th December, 1920,¹ and of the Additional Agreement of 25th March, 1923,² relating thereto (hereinafter to be referred to as the "Additional Agreement").

Article 2

(1) The creditor shall postpone the maturity date of the creditor's land charge until 31st December, 1957.
(2) The maturity of the creditor's land charge shall commence as from 1st January, 1958, according to the terms of the amortisation plan (Article 3).

Article 3

(1) The creditor's land charge shall be repayable as from 1st January, 1958, by payment to a foreign country, as follows:
   (a) during the first five years (1st January, 1958, to 31st December, 1962) at 3 per cent. per annum;
   (b) during the next five years (1st January, 1963, to 31st December, 1967) at 8 per cent. per annum;
   (c) during the subsequent three years (1st January, 1968, to 31st December, 1970) at 15 per cent. per annum;

of the nominal amount of the creditor's land charge at the time of entry into force of this agreement.

(2) Each amortisation payment shall be effected not later than at the end of the respective amortisation year.

**Article 4**

(1) Where the creditor's land charge exceeds the value of the property assessable according to paragraph (2) hereof the amortisation payments effected in pursuance of Article 3 shall be credited at an amount higher than the nominal amount of payment. Such crediting shall take place according to the ratio of the land charge as existing at the time of entry into force of this agreement to the value of the property as assessed at the time of the maturity of the amortisation payment according to the terms of paragraph (2) hereof.

(2) In assessing the value of the property at the time of maturity of the amortisation payment the additional value originating from the reconstruction of the property shall be deducted from the common or market value (Verkehrswert); this deduction, however, shall not be made in so far and to such extent as the additional value may be based on interest renunciations granted by the creditor.

**Article 5**

(1) Arrears of interest which have become due up to 31st December, 1952, and are still unpaid at the time of entry into force of this agreement shall be paid by the debtor in Deutsche Mark within six months after request. In cases of hardship the creditor will grant an appropriate extension of the term of payment.

(2) Where and in so far as the interest exceeds 4 per cent. of the creditor's land charge the interest shall be reduced to 4 per cent.

**Article 6**

(1) Interest falling due as from 1st January, 1953, shall be payable to a foreign country.

(2) The contractual interest rate (maximal interest within the meaning of Article 6, paragraph (2), of the Additional Agreement) shall be reduced by 25 per cent., but such reduction must not bring the interest rate to less than 4 per cent. per annum.

**Article 7**

(1) The maximum interest rate and the minimum interest rate within the meaning of Article 6, paragraph (2), and Article 18 of the Additional Agreement shall be computed on the principal of the creditor's land charge still unpaid at any respective time.
(2) Where amortisation payments are effected the normal interest within the meaning of Article 19 of the Additional Agreement shall be computed as follows: The percentage shall be calculated representing the ratio of the amortisation payment to the creditor's land charge as existing before amortisation begins. Thereupon 80 per cent. or 90 per cent. respectively for large land charges (Article 7, paragraph (2) (a), of the Additional Agreement) of the percentage so calculated shall be deducted from the normal interest rate of the preceding year. The remaining normal interest rate when applied to the net yield will result in the normal interest.

(3) Where amortisation payments are credited in excess of the nominal amount (Article 4) only the amount actually paid shall be taken into consideration as an amortisation payment within the meaning of paragraph (2) above.

(4) In cases of creditor's land charge as mentioned in Article 4, paragraph (4), of the Additional Agreement the normal interest shall not be reduced before one-half of such creditor's land charges has been repaid according to the terms of Article 4 of this agreement. Thereafter the above paragraphs (2) and (3) shall apply with the proviso, however, that the payments so far made shall be disregarded.

Article 8

Where under due consideration of all circumstances, especially with due regard to the condition and yields of the property carrying the charge, the owner cannot be expected to make punctual or complete amortisation payments as provided in Article 3 the creditor is to grant him, at the time of such amortisation payment maturing, an appropriate extension of payment of this amortisation instalment or of a part thereof.

Article 9

(1) Where the reconstruction of the property damaged or destroyed would be facilitated by a redemption of the creditor's land charge an endeavour is to be made by the creditor and the owner of the property to redeem the land charge. When assessing the amount of such redemption this is, as a rule, to be based on five-sixths, or ten-elevenths respectively in cases of large land charges, of the property value as computed according to Article 4, paragraph (2).

(2) Where the owner receives in pursuance of German legislation a compensation for war damages to the property he shall be liable to grant to the creditor of the land charge, in the amount of five-sixths, or ten-elevenths respectively in cases of large land charges, of the compensation received, the same position which in a corresponding case he would have to grant to the German creditor of a land charge which has been converted into Deutsche Mark at the rate of one to one.

(3) In other cases of a redemption the paragraphs (1) and (2) above should be, mutatis mutandis, taken into consideration.
Article 10

(1) Where the building erected on the property carrying the land charge has been destroyed to the extent of at least 20 per cent. and where the owner binds himself to reconstruct such property proving that he possesses or can obtain the means required for this purpose the creditor must allow the creditor's land charge to recede behind one or more charges or mortgages, on the property, repayable by amortisation, totalling 50 per cent. of the reconstruction costs.

(2) Where the building erected on the property carrying the land charge has been destroyed to the extent of at least 60 per cent. the creditor must grant his additional assent to a reduction of the creditor's land charge according to the ratio of the creditor's land charge to the common or market value (Verkehrswert) of the property. The owner's land charge shall be treated in the same way. If the creditor's and owner's land charges are reduced in pursuance of this provision the provisions on excess crediting of amortisation payments (Article 4) shall not apply.

(3) The owner is liable to cause preceding charges or mortgages to be deleted in the Land Register in so far as such charges or mortgages and ownership become united in his person, and to cause a pre-entry to be made into the Land Register for the safeguarding of this right of the creditor to demand such deletion.

(4) Paragraphs (1) to (3) above are not applicable in so far as it would, under due consideration of all circumstances, constitute an abuse of legal rights to resort to these provisions.

Article 11

No reduction of the creditor's land charge shall be effected without the creditor's assent except in the cases mentioned in Article 4 and 10.

Article 12

(1) Where the creditor and the owner do not agree on the questions mentioned in Articles 4, 7, 8 and 10 the "Vertrauensstelle" (Article 28 of the Additional Agreement) shall make a final decision on application by the creditor or by the owner of the property. This decision shall be binding.

(2) The "Vertrauensstelle" can assess, upon joint application by the creditor and by the owner of the property, also the value of the property or the amount of the redemption payment within the meaning of Article 9.

(3) The "Vertrauensstelle" can also decide, upon joint application by the creditor and by the owner of the property, on other disputes existing between the said parties.

Article 13

(1) The provisions of Articles 4 and 7, 8, 9 and 10 represent an exhaustive enumeration of relief facilities which the owner of the property could claim in pursuance of Article 11, paragraph (1), of Annex IV.
(2) Article 11, paragraph (2), and Article 17 of Annex IV shall be replaced by
the provisions of Article 12 of this Agreement.

Zurich, 23rd February, 1953.

For the Vertrauensstelle:

The Swiss Member: 
FRÖLICHER

For the Representatives
of the Creditor's Interests:
KOENIG

The German Member:
STEIN

For the Representatives
of the Interests of the Owners
of Properties:
DR. HANDSCHUMACHER

SWISS STATEMENT ON THE AGREEMENT OF FEBRUARY 23, 1953

The creditors of Swiss franc land charges make reference to the reservations in
principle made by Minister Stucki in the opening session of the London Conference
of 28th February, 1952, in London. Furthermore, it is recalled and emphasized that
the Swiss Government in a Note Verbale of 18th May, 1936, have reserved against
the German side all rights arising from the State Agreements of 6th December, 1920
(Agreement between the Swiss Federation and the German Reich relating to the
Swiss Gold Mortgages and certain Types of Franc Debts payable by German Debtors)
as well as of 25th March, 1923 (Additional Agreement), with regard to the transfer.
Accordingly, up to 1944 the interest on franc land charges has indeed been actually
transferred to Switzerland without any reduction. The creditors of Swiss franc
land charges wish to establish that they reserve their rights arising from the two
State Agreements in the case of the London Government Agreement ceasing to exist
or of the transfer provided for therein wholly or partly failing to function.

GERMAN STATEMENT ON THE AGREEMENT OF 23rd FEBRUARY, 1953

As already indicated by the German Delegation in the Statement of 25th July,
1952 (Sub-Annex to Annex IV of the Agreement on German External Debts), it is
of the opinion that the Swiss Franc Land Charges fall under the terms of reference
of the London Conference for the Settlement of German External Debts. Accord-
ingly, the provisions of the Agreement on German External Debts of 27th February,
1953, apply to these debts, and the effect of acts and omissions on the part of the
Federal Republic of Germany follows from such provisions as long as the Agreement
remains in force.
EXTRACT FROM THE ADDITIONAL AGREEMENT OF MARCH 25, 1953, TO
THE AGREEMENT OF DECEMBER 6, 1920, BETWEEN THE GERMAN
REICH AND THE SWISS FEDERATION RELATING TO SWISS GOLD
MORTGAGES IN GERMANY AND CERTAIN TYPES OF FRANC DEBTS
PAYABLE BY GERMAN DEBTORS

Article 2

(1) Mortgages shall not be considered as gold mortgages within the meaning of
the Principal Agreement unless they were owed on 31st July, 1914, to a creditor of
Swiss nationality who at that date was residing in Switzerland, or to a juristic person
(body corporate) having at that date its seat in Switzerland; regardless of the question
as to who may have been the original creditor of such mortgages.

... 

Article 4

(4) In cases of gold mortgages for which a limited clause relating to differences
in the rate of exchange has been stipulated, the creditor shall be entitled to one half
only of the interest payments as set out in Articles 18 and 19.

...

Article 6

(1) A land charge in Swiss francs shall be entered in the Land Register for the
creditor of the gold mortgage (creditor’s land charge). The amount of this land
charge shall be the sum resulting from a conversion of the amount of the gold mort-
gage in marks into Swiss francs on the basis of a conversion rate of 100 marks =
123.45 francs. The creditor’s land charge shall precede in Land Register priority
the rights ranking behind the mark amount of the gold mortgage.

(2) The creditor’s land charge shall bear interest in pursuance of Articles 18
and 19 at a rate, however, not higher than the rate of interest as agreed upon for
the gold mortgage.

(3) Simultaneously with the entry of the creditor’s land charge the gold mort-
gage shall be deleted in the Land Register. By these entries the personal debt
connected with the gold mortgage shall cease to exist, with the reservation, however,
of the provision laid down in Article 23 irrespective whether such debt may be owed
by the owner of the property or by a third party. Guaranties shall likewise cease
to exist, pawns or other securities or collaterals shall be released, and mortgages granted as additional security or collateral shall be deleted in the Land Register upon single application by the owner of the property carrying the land charge.

Article 7

(1) Ranking together with the creditor's land charge, a land charge in Swiss francs bearing no interest shall be entered into the Land Register for the owner of the property (owner's land charge).

(2) The owner's land charge shall be in the amount of:

(a) 10 per cent. of the amount of the creditor's land charge in cases of gold mortgages in the amount of 700,000 marks or more charged on properties mainly used in business or trade, every such property to be listed by agreement between the two Governments concerned, as well as on properties as mentioned in Article 1, paragraph (3), which are mainly used for agricultural purposes;

(b) 20 per cent. of the amount of the creditor's land charge in the cases of all other gold mortgages.

Article 18

(1) Interest on the creditor's land charge shall be payable at a rate of not less than:

(a) on creditor's land charges as mentioned in Article 7, paragraph (2), sub-paragraph (a), $\frac{1}{3}$ per cent. in Swiss francs. As from 1st January, 1928, this rate shall be increased to $\frac{1}{2}$ per cent. in Swiss francs. Interest may be paid in paper marks. The conversion rate shall be the rate at which the mark is sold in Switzerland according to the price quoted by the Swiss National Bank on the day preceding the day of payment;

(b) on all other creditor's land charges (Article 2, paragraph (2), sub-paragraph (b)), four times the amount of one annual interest amount of the gold mortgage in paper marks. Where and in so far as the creditor is entitled in the case of belated payment of interest to claim compensation for losses through differences in the rate of exchange, this right shall be reserved.

(2) The maximum of interest is defined in Article 6, paragraph (2).

Article 19

As the normal interest on the creditor's land charge shall be payable:

(a) 90 per cent. of the net yields of the property in cases of creditor's land charges as mentioned in Article 7, paragraph (2), sub-paragraph (a);

(b) 80 per cent. of the net yields of the property in the cases of all other creditor's land charges (Article 7, paragraph (2), sub-paragraph (b)).
Article 28

(1) The Vertrauensstelle (Article 5, paragraph (2), and Article 21) consists of two members, of which each of the two Governments shall appoint one.

(2) The creditor and the owner of the property are liable to give to the Vertrauensstelle any information it may desire as well as to produce on demand all books and records relating to the property. In the case of a party failing to comply with these duties the Vertrauensstelle can make a decision on the basis of the evidence supplied only by the party not being in default. The authorities of the two contracting States are held under the obligation to render to the Vertrauensstelle any information which may be necessary for the performance of its tasks.

(3) The Vertrauensstelle shall issue with the approval of the two Governments the general provisions as to its business and procedure.

(4) The decisions by the Vertrauensstelle shall be final and binding; they shall be accompanied by a short statement of the reasons on which they are based.