

Geneva, September 26th, 1930.

**LEAGUE OF NATIONS**

**CONVENTION ON FINANCIAL ASSISTANCE**

**REPORT OF THE THIRD COMMITTEE TO THE ASSEMBLY.**

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Since the ninth Assembly, the League of Nations has studied the idea of giving financial assistance to a State in case of war or threat of war as a new means of increasing the guarantees of security, more particularly with a view to preventing war.

The Financial Committee and the Committee on Arbitration and Security have dealt more particularly with this problem, and it is owing to their co-operation that the text which your Committee had to discuss was drawn up. The Assembly will certainly desire to express its appreciation of the work done by these Committees, and to convey its thanks to them.

It may be briefly mentioned that, in accordance with the instructions given them by the ninth Assembly, the two Committees first of all submitted a preliminary draft to the tenth Assembly. When, however, this preliminary draft was discussed, it was seen that certain questions were not yet ripe for a satisfactory solution. The tenth Assembly, after noting the various views expressed by the delegations, merely emphasised the importance of the draft and the necessity of its being further examined. It accordingly requested the Council to ask the Committee on Arbitration and Security to resume the study of the question in co-operation with the Financial Committee with a view to framing a Convention which could be accepted by the eleventh Assembly and signed during the present session.

The Financial Committee and the Committee on Arbitration and Security successfully settled almost all the difficulties noted by the tenth Assembly.

As a result of the goodwill displayed by its members, the Third Committee can, in turn, congratulate itself on reconciling the remaining divergent views and making certain improvements in the text of the Convention.

The Assembly is familiar with the general structure of this instrument. It accordingly seems unnecessary to comment generally on its provisions and explain its principles.

It might, however, be well to indicate certain points which have engaged the special attention of the Third Committee.

The Assembly is aware that the conditions governing the provision of financial assistance in case of war (Article 1) were laid down by the Committee on Arbitration and Security. In the first place, the principle was recognised that, should resort be had to war in violation of international obligations, the State which is attacked is entitled to financial assistance; and, in the second place, the Council retains power to adopt a different decision at its discretion.

Nevertheless, the most important question, the question whether financial assistance would be granted, not only in case of war, but also in case of a threat of war (Article 2), remained unsettled. Certain delegations feared that the application of financial assistance before the outbreak of war might endanger the mediating action of the Council, or that the State receiving the loan might change its attitude once it was in possession of the financial assistance.

This highly controversial point was settled by a compromise formula. The formula makes the right of granting financial assistance in the case of an international dispute likely to lead to a rupture dependent upon a twofold condition—one of the parties to the dispute must have failed to conform to the steps taken by the Council; further, the Council must be of opinion that peace cannot be safeguarded otherwise. Naturally, if the financial assistance should not appear likely to prevent war, the other party being determined in any case to resort thereto, the Council would nevertheless not be prevented from providing it.

Articles 1 and 2 of the Convention lay down that the State receiving financial assistance must undertake to submit the dispute to judicial or arbitral settlement or to any other pacific procedure which the Council may deem suitable. Obviously, if the parties were bound by treaty stipulation pledging them to submit their dispute to a pacific procedure, the Council would call upon them in the first place to resort to that procedure.

Another question which engaged the attention of the Third Committee was that of the scale of allocation, fixing the amount which each State should guarantee in respect of loans issued under the Convention. It thought it desirable to adopt, in Article 7, the present scale of allocation for the League's expenses, so that Parliaments, when discussing the ratification of the Convention, may be in a position to know precisely the maximum financial burden to which they may be liable.

If for this reason the Committee was led to choose the scale at present in force, it did not, for the same reason, think it possible to provide for a revision of the scale, in the body of the Convention, at the time or when the latter falls to be renewed. This renewal will be automatic, and will not necessitate any new act on the part of the Governments or Parliaments.

The Committee clearly realised that certain Governments might be adversely affected by the fact that the scale of allocation of the League's expenses might subsequently be modified to their advantage, while their obligations under the Convention would continue to be reckoned on the basis of the former scale. Nevertheless, the advantages of basing the Convention on an already existing scale and of retaining the possibility of an automatic renewal of the Convention were so obvious that the Third Committee did not think it could modify the text on these two points. It is understood, however, that it will always be possible for a contracting party, before the Convention is renewed, to enter into negotiations with the other contracting parties if it desires the adoption of a new scale.

As regards the authorisation of loans, referred to in Article 14, the Swedish Government desired, for constitutional reasons peculiar to Sweden, that mention should be made in the Convention not only of "the Government" but also of "any other competent authority" for contracting the loan in question. The Committee thought that it would be enough if the Swedish representative, when signing the Convention, made a declaration as to the competent authority of his country; the representatives of the other Governments would take note of this declaration.

Moreover, the Committee supplemented the provisions of Article 15 by laying down, in paragraph 3, that the Protocol regulating in each particular case the conditions as to the loan should contain, in the case of Article 2, provisions enabling the Council to suspend at any moment the payment to the Government receiving the loan of such part of the proceeds of the loan as is not yet paid, if such a measure is rendered necessary by the attitude of the party in question after financial assistance has been granted to it.

The Third Committee thought it desirable to be content with this general stipulation and to leave it to the Council or the organs designated by the Council to lay down in the said Protocol, if necessary, all conditions appropriate in the particular case.

Moreover, the suspension of payments provided for in the Convention allows the Council great latitude. This suspension may, according to circumstances, be short or long, or even definitive.

The Third Committee thought it necessary that the decision suspending the loan should be taken by a unanimous vote, and it modified Article 28, paragraph 1, in this sense.

As regards Article 25, the British delegation stated that the British Government would facilitate to the utmost of its power the issuing of loans; but that the undertaking as to the "opening of the financial market" appearing in the article could not apply to the London market, as the issue of loans on that market does not depend on Government authorisation. The Committee noted this observation, which also covers the case of the other countries in a similar position.

As regards the link to be established between the present Convention and the limitation and reduction of armaments (Article 35), various views were revealed as to whether the entry into force of the Convention should be postponed until the entry into force of some such plan. Certain delegations considered that, since it was a question of an important means of preventing war, and one likely to increase security, it would be desirable not to wait for the entry into force of a plan for the reduction of armaments, but to secure the application of the Convention as soon as possible. Other delegations, however, pointed out that their countries would not be prepared to accept the burdens imposed by a Convention on Financial Assistance unless these burdens were compensated for by the advantages of a general reduction of armaments.

Under these circumstances, the Third Committee decided to make the entry into force and the maintenance in force of the present Convention conditional upon the entry into force and the maintenance in force of a plan for the reduction of armaments adopted in execution of Article 8 of the Covenant. This interdependence is secured in such a manner that the Convention for Financial Assistance will not apply in respect of a contracting party unless this plan is in force for that party.

In order to ensure the rapid working of the Convention on Financial Assistance upon its entry into force, the Third Committee thought it desirable that arrangements should be made in advance, so far as possible, for the technical application of the Convention. It considers that the Council should call upon the Financial Committee to take suitable steps for this purpose.

The Assembly will certainly be of opinion that the Convention should be opened for signature to all the Members of the League immediately upon its adoption, and that an urgent appeal should be made to all delegations to sign the Convention during the present session, as was suggested by the tenth Assembly.

On behalf of the Third Committee, I have therefore the honour to submit the following resolution to the Assembly:

“ The Assembly:

“ Taking note of the report submitted to it on behalf of the Third Committee,

“ Thanking the Financial Committee and the Committee on Arbitration and Security for the admirable work they have done to frame the Convention on Financial Assistance:

“ I. Approves the text of the said Convention which has been drawn up by the Third Committee;

“ Decides to open the Convention immediately for signature by the Members of the League;

“ Expresses the earnest hope that the Convention will be signed and ratified by all the Members of the League of Nations;

“ Instructs the Secretary-General to take the necessary steps to bring the Convention officially to the notice of all States Members of the League that have not signed it before the end of the present session of the Assembly, in order that they may be able to do so on or before December 31st, 1931, or to accede thereto after that date;

“ II. Considers it desirable that the scheme for Financial Assistance might be applied, when the case arises, without any delay;

“ Therefore asks the Council to instruct the Financial Committee to prepare drafts for the various documents referred to in the Convention that may be necessary for its entry into force, such as protocols, loan contracts, etc. ”

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## CONVENTION ON FINANCIAL ASSISTANCE

### PREAMBLE.

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[Heads of States.]

Recognising the importance, as a means of safeguarding or, if necessary, restoring peace between nations, of creating a system of financial assistance in the form of guarantees for loans to be given in the event of international disputes likely to lead to a rupture or in case of war;

Considering that such a system of assistance can best be organised by the conclusion of an international convention;

Have appointed as their plenipotentiaries for this purpose:

. . . . .

Who, having communicated their full powers found in good and due form, have agreed as follows:

### CASES IN WHICH FINANCIAL ASSISTANCE IS GRANTED.

#### *Article 1.*

1. If, despite the efforts which the Council of the League of Nations has found it possible to make for the maintenance or the re-establishment of peaceful relations, a State, in violation of its international obligations, resorts to war against a High Contracting Party, the latter shall at his request receive the financial assistance provided for in the present Convention, unless the Council decides otherwise.

2. The High Contracting Party to whom financial assistance is granted undertakes, for his part, to submit the dispute to judicial or arbitral settlement, or to any other pacific procedure which the Council may deem suitable.

#### *Article 2.*

1. If the Council, in the performance of its duties under the Covenant, and acting within the limit of its rights under the Covenant or under general or special conventions applicable in the circumstances shall, in any international dispute likely to lead to a rupture, have taken steps to safeguard peace, including resort to mediation or any other means of peaceful settlement, and if one of the parties shall refuse or neglect to conform to such steps, the Council may, at the request of the other party, if the latter is a party to the present Convention, grant financial assistance to the last-named party, provided it considers that peace cannot be safeguarded otherwise.

2. The High Contracting Party to whom financial assistance is granted undertakes, for his part, to submit the dispute to judicial or arbitral settlement or to any other pacific procedure which the Council may deem suitable and to conform to any provisional measures that may be recommended by the Council with a view to safeguarding peace.

#### *Article 3.*

The financial assistance of the High Contracting Parties shall take the form of ordinary guarantees and special guarantees covering, as hereafter provided, the service of loans (which term shall include short-term credits) contracted in accordance with the present Convention.

*Article 4.*

For the purpose of the present Convention, the service of a loan comprises the sums payable in each year for interest and amortisation, under the terms of the loan contracts.

*Article 5.*

No loan contracted under the present Convention shall be for a period exceeding thirty years. In order to facilitate, so soon as circumstances permit, the discharge of the ordinary guarantor and special guarantor Governments from their obligations in regard to the loan, a Government contracting a loan under this Convention shall, if possible, reserve the right to repay it before the end of its full period of maturity.

ORDINARY GUARANTEES.

*Article 6.*

Each High Contracting Party undertakes and recognises that the Governments for which he becomes a party to the present Convention severally guarantee as ordinary guarantors, to the extent and in the manner set out in the following articles, the due payment of the annual service of the loans which are contracted. The said ordinary guarantees attach to each loan in virtue of the present Convention from the moment at which the loan is authorised, without any further action or consent on the part of the guarantor Government.

*Article 7.*

1. (a) Subject to the provisions of Article 19 regarding payment of interest in the event of default, the annual liability which can fall to the charge of any Government in the capacity of an ordinary guarantor, in respect of all the loans contracted in accordance with the present Convention, is limited to a maximum. This maximum shall be a sum bearing the same proportion to 100 million gold francs as the contribution to the League's expenses payable by the Government, under the scale of allocation applicable on January 1st, 1930, bears to the total contributions due from all the Members of the League.

(b) In the case of a Government which was not liable to contribute to the League's expenses under the scale mentioned in the preceding paragraph, the scale of allocation in force on the date on which it became bound by the obligations of the present Convention shall be applied to it.

2. The Council shall, as soon as possible, notify to the various Governments the maximum annual liabilities which result for them from the provisions of paragraph 1.

SPECIAL GUARANTEES.

*Article 8.*

Subject to the provisions of Article 11, a High Contracting Party may accept the obligations of a special guarantor in respect of the Government of any of his territories. Such Government is thereby constituted a special guarantor, and the guarantee which it accords to loans to be contracted in accordance with the present Convention shall be a special guarantee within the meaning of the present Convention, without any further action or consent on the part of the Government.

*Article 9.*

The special guarantees are created for the purpose of strengthening the security on which a loan contracted in accordance with the present Convention is issued, by ensuring that the service of such loan shall be guaranteed for its full amount, not merely by all the guaranteeing Governments as ordinary guarantors, but also by a small number of Governments which, as special guarantors, will bear, within the limits of their special guarantees, the risk of any delay in the payment of the amounts due from any of the other Governments as ordinary guarantors. The amount covered by each special guarantee accordingly includes the amount of the Government's liability as an ordinary guarantor together with an additional amount, and it is determined, as provided below, in such manner that the total of the additional amounts thus guaranteed by the special guarantor Governments will equal the total amount guaranteed by the Governments which are ordinary guarantors only. In the event of a default by the borrowing Government on the service of the loan, the total amount covered by a special guarantee is payable in full; but the sum paid by a special guarantor Government in excess of its liability as an ordinary guarantor is reimbursable, after the service has been met, out of the balance of the amounts collected from the guaranteeing Governments.

*Article 10.*

1. Subject to the provisions of Article 19 regarding the payment of interest in the event of default, the annual liability which may fall to the charge of any special guarantor Government in respect of all the loans contracted in accordance with the present Convention is limited to a maximum which includes the Government's obligation as an ordinary guarantor and the additional

amount covered by its special guarantee. This maximum shall be determined by dividing the sum total of the maximum obligations of all the Governments, as ordinary guarantors, among the special guarantor Governments in proportion to their respective maximum obligations as ordinary guarantors.

2. The said maximum liabilities of the special guarantor Governments shall be notified to them by the Council of the League of Nations as soon as possible. They shall be revised by the Council, in the event of any change in the number of Governments which are ordinary guarantors or of those which are special guarantors, as soon as possible after such change has occurred.

#### *Article 11.*

1. The following Governments may be special guarantors under the present Convention:

- (a) The Governments of permanent Members of the Council of the League of Nations;
- (b) The Governments of other Members of the League which are unanimously invited to become special guarantors by those Governments which themselves are special guarantors.

Such invitation may be given either before or after the entry into force of the Convention.

2. Acceptance of the obligations of a special guarantor may be intimated at the moment of signature or at that of ratification or at the moment of accession to the Convention, or subsequently by a declaration in writing deposited with the Secretary-General of the League of Nations, who shall notify such acceptance to all the other Members of the League.

#### *Article 12.*

The Secretary-General of the League of Nations shall send to the Trustees provided for in Article 13 a certified true copy of each notification of its maximum liability made to a Government in execution of Article 7 or Article 10.

#### TRUSTEES.

#### *Article 13.*

1. Upon the entry into force of the present Convention, the Council of the League of Nations shall appoint five persons to act as Trustees of loans contracted in accordance with the present Convention. The Trustees shall be nationals of the Swiss Confederation and habitually resident in Switzerland.

2. (a) The Trustees shall be appointed for periods of five years. At the end of their term of office, they may be re-appointed for the like or any less period. A Trustee may at any time resign on giving three months' previous notice in writing to the Council of the League of Nations.

(b) The Council of the League of Nations may at any time remove a Trustee.

(c) In the event of a vacancy occurring for any reason in the office of Trustee, the Council of the League of Nations shall without delay appoint another Trustee. If, in his opinion, it is necessary to do so, the Acting President of the Council may appoint a person to act until the vacancy is filled by the Council.

3. (a) The Trustees shall appoint from their number a Chairman and Deputy-Chairman and draw up their rules of procedure subject to the provisions of the present Convention. Except in the case mentioned in Article 16, paragraph 1, meetings shall be convened by the Chairman or, if he is unable to act, by the Deputy-Chairman.

(b) Three Trustees shall constitute a quorum. All decisions may be taken by a majority; in case of equality of votes, the presiding Trustee shall have a casting vote.

(c) The Secretary-General of the League of Nations shall be entitled to be present or be represented at all meetings of the Trustees.

(d) The expenses incurred by the Trustees in executing their functions in connection with any loan and such honoraria for the performance of those functions as may be fixed by the Council of the League of Nations shall be paid by the borrowing Government.

(e) The Council of the League of Nations may advance to the Trustees the amounts referred to in paragraph (d); any sum so advanced shall be repaid to the League by the borrowing Government.

(f) No Trustee shall incur any personal liability in the execution of his functions as Trustee, except for a breach of his duties knowingly and intentionally committed by him.

(g) The Trustees shall report annually to the Council of the League of Nations upon the execution of their functions as Trustees of each loan contracted in accordance with the present Convention; they shall be entitled at any time to bring to the attention of the Council any difficulties experienced by them in performing such functions.

AUTHORISATION OF LOANS.

Article 14.

1. Where the Council of the League of Nations recognises that, in virtue of Articles 1 or 2, a High Contracting Party should receive financial assistance under the present Convention, it shall authorise the Government of such High Contracting Party to issue a loan enjoying the ordinary guarantees and the special guarantees resulting from the present Convention. The Council may exclude the ordinary guarantee or special guarantee of any Government if, in its opinion it would not be desirable in the interest of the success of the loan that such ordinary guarantee or special guarantee should attach to the loan.

2. (a) The maximum sum to which the service of the loan may amount in each year shall be fixed by the Council. The sum fixed by the Council shall be expressed in gold francs as defined in Article 26, and, for the purpose of determining the sum to which the service may amount in the currencies in which the loan is actually contracted, the value of those currencies shall in all cases be assumed to be, at the moment of signature of the loan contracts, that of their legal weight in pure gold.

(b) The annual sum fixed for the service of the loan in any year shall not exceed the amount which can be covered by special as well as by ordinary guarantees without imposing on any Government a liability in excess of the maximum fixed by the present Convention.

(c) The amount for each year of each Government's liability as an ordinary guarantor shall be determined by dividing the service of the loan among all the guaranteeing Governments in the proportion of their maximum possible annual liabilities as ordinary guarantors under this Convention, as fixed by Article 7. The total amount covered by each special guarantee shall be determined by dividing the said service among the special guarantor Governments in the proportion of their maximum possible annual liabilities as special guarantors as fixed by Article 10. For the purpose, however, of simplifying the application of the special guarantees, the Council, with the consent of the special guarantor Governments whose liabilities are affected, may make minor fractional adjustments of the percentages attributable to the special guarantor Governments to the extent necessary to convert such percentages into convenient whole numbers.

3. For the purpose of the preceding provisions, no account shall be taken of the liability for interest which may result under the provisions of Article 19 from a default by a Government in meeting its obligations as an ordinary or as a special guarantor.

ISSUE OF AUTHORISED LOANS.

Article 15.

1. The Council shall require that the conditions and terms of issue of a loan contracted in accordance with the present Convention, that is to say, *inter alia*, the method of issue, the securities (if any) on which the loan is raised, the issue price, the rate of interest, the amortisation (including any stipulations as to repayment before maturity), the expenses of issue, negotiation and delivery, and the currency or currencies in which the loan is issued, shall be submitted for approval to it or to a person or persons appointed by it for the purpose. As provided in Article 14, paragraph 2 (a), the value of the currencies in which the loan is issued and in which its service is payable shall in every case, for the purpose of determining the maximum to which the service may amount, be assumed to be, at the moment of signature of the loan contracts, that of their legal weight in pure gold. The arrangement made by the Council with the borrowing Government in question shall be embodied in a Protocol duly accepted by the latter.

2. The Council may make conditions as to the employment of the proceeds of the loan and the supervision of such employment. These conditions shall be embodied in the Protocol mentioned in paragraph 1.

3. In the case of a loan issued in execution of Article 2 of the present Convention, the Protocol provided for in paragraph 1 above shall contain provisions enabling the Council to suspend at any moment the payment to the Government receiving the loan of such part of the proceeds of the loan as is not yet paid if the Council considers that such a measure is rendered necessary by the attitude of that Government after financial assistance has been granted to it.

4. The loan shall not possess the ordinary guarantees and special guarantees resulting from the Convention, unless the contracts relating to it shall have been certified in writing by a person or persons appointed by the Council—and acting in the second case by majority—to be in conformity with the decisions of the Council and the Protocol provided for by paragraph 1 above, and the provisions of the present Convention. A signed duplicate of the certificate shall be delivered to the Secretary-General of the League of Nations for communication to the Trustees, together with copies of each contract authenticated by the borrowing Government in sufficient number to enable him to send one to each Trustee.



5. The following provisions shall be obligatory in all cases:

(a) The Trustees appointed under the present Convention, acting as provided therein, shall be Trustees of the loan for all purposes for which Trustees are appointed, and in particular shall make all payments for interest or amortisation due on the loan out of the funds supplied by the borrowing Government or, in the event of its default, by the Governments guaranteeing the loan as special or ordinary guarantors.

(b) Except in the case of short-term credits of a currency not exceeding two years, a reserve shall be constituted in the hands of the Trustees by the direct transfer to them by the issuing houses out of the yield of the loan of an amount sufficient to pay one-half of the annual service of the loan as issued. Any sums drawn from this reserve by the Trustees shall immediately be refunded to them by the borrowing Government.

(c) The borrowing Government shall provide the Trustees with the funds necessary to meet the service of the loan in time of war as well as in time of peace. Such remittances shall be in the hands of the Trustees not later than thirty days before each payment falls due.

#### DEPOSIT OF BONDS IN RESPECT OF PARTICULAR LOANS.

##### Article 16.

1. As soon as possible after a contract for the issue of all or part of an authorised loan has been certified in accordance with Article 15, paragraph 4, the Trustees, convened by the Secretary-General of the League of Nations, shall examine the contract and the relevant decisions of the Council and ascertain and notify to the Governments whose guarantees attached to the loan:

- (a) What is the total amount of each payment due in respect of that issue in each year;
- (b) What is the maximum sum for which each Government, whether it be an ordinary or a special guarantor, may be liable as an ordinary guarantor in respect of each such payment;
- (c) What is the maximum sum for which each special guarantor Government may be liable as a special guarantor in respect of each such payment.

The sums mentioned in (b) and (c) shall be determined in the manner provided in Article 14, paragraph 2 (c).

2. Within four months of the receipt of the above notification, each Government, according as it is solely an ordinary guarantor or a special guarantor, shall deposit to the order of the Trustees with such bank or other body as the Council, as soon as the Convention comes into force, or subsequently, may choose, either an "Ordinary Guarantee Bond" in the form given in Annex I or a "Special Guarantee Bond" in the form given in Annex II, bearing a separate coupon for each payment for which the Government may be liable in each year. The coupons shall be expressed and be payable in the currency in which payment is due to the bondholders. If the issue is made in more than one currency, separate bonds shall be deposited in respect of the service due in each currency.

3. The coupons of the said bonds shall be payable at an address satisfactory to the Trustees fixed by the Government.

4. The omission to deposit bonds, as provided above, shall in no way affect the obligations of the Governments, whether as ordinary or as special guarantors, or prevent the issue of the loan on the security of the ordinary guarantees and special guarantees which attach to it in virtue of the present Convention.

#### OPERATION OF THE ORDINARY GUARANTEES AND SPECIAL GUARANTEES IN THE EVENT OF DEFAULT BY THE BORROWING GOVERNMENT.

##### Article 17.

1. (a) The service of loans contracted in accordance with the present Convention shall always continue to be primarily a charge upon the borrowing Government. The guarantees provided under the Convention shall enter into operation only if, and to the extent to which, the Trustees are neither provided with the necessary funds by the borrowing Government nor able to meet the service out of the reserve constituted in accordance with Article 15, paragraph 5 (b).

(b) In such a case, the Trustees shall call simultaneously on all the guaranteeing Governments, whether they be ordinary or special guarantors. They shall apply the yield of the calls to meet the service of the loan and shall then reimburse to the special guarantor Governments *pro rata* out of the balance of such yield the amounts paid by them in excess of their liabilities as

ordinary guarantors. Delay by a guarantor Government in meeting a call is recognised as creating a duty to compensate special guarantor Governments as provided in Articles 19 and 21 for the prejudice caused to them by the resulting delay in the reimbursement of the amounts paid by them in excess of their liability as ordinary guarantors.

(c) All amounts obtained by the Trustees from the guaranteeing Governments, with the exception of the amounts reimbursed as contemplated in paragraph (b) and of amounts paid to them by way of interest under Article 19, shall constitute a debt due, with interest, from the borrowing Government.

(d) The liabilities between Governments which result from the present Convention shall be settled through the intermediary of the Trustees.

2. The principles set out in paragraph 1 shall be applied in accordance with the provisions of Articles 18 to 22 below.

#### Article 18.

1. In the event of a default by the borrowing Government in providing funds to pay the annual service of an authorised loan, the Trustees shall draw on the reserve constituted by application of Article 15, paragraph 5 (b), until that reserve is exhausted. They shall at once notify the default to the Governments whose ordinary guarantees or special guarantees attach to the loan. They shall likewise notify any payments into the reserve.

2. If, thirty days before the date at which a payment for interest or amortisation falls due, the Trustees have neither received from the borrowing Government nor possess in the reserve sufficient funds to make the payment, they shall inform each guarantor Government of the amount of the deficiency and the amount for which it will be liable if the deficiency is not made good. If, twenty days before the due date of the payment, the Trustees still are unable to make it in full, they shall present for payment those coupons of the ordinary guarantee and special guarantee bonds which cover the service payment in question. If the deficiency is not total, the Trustees shall reduce *pro rata* the amounts which they call upon the guarantor Governments to pay on the said coupons, and the coupons shall be endorsed accordingly. If a guarantor Government has not yet deposited its bond as required by Article 16, the Trustees shall nevertheless call upon it and it shall be liable to make the payment due from it.

3. The calls which are made by the Trustees upon the ordinary guarantor and special guarantor Governments shall be paid immediately by the said Governments to the Trustees notwithstanding that they may be at war with the borrowing Government or with any country or countries in which a part of the loan has been issued, and notwithstanding that the holders of any or all of the bonds of the series of the loan in the service of which the default has occurred may be subjects of, or resident in, a country or countries with which they are at war.

4. The Trustees shall meet the service of the loan out of the yield of the calls made upon the Governments and shall apply the balance, and their receipts from any calls which are paid at a later date, to reimbursing *pro rata* to the special guarantor Governments the amounts paid by them in excess of their liabilities as ordinary guarantors.

#### Article 19.

If an ordinary guarantor or special guarantor Government fails to meet in full a call by the Trustees by a date not later than ten days before the interest or amortisation payment in question falls due, the Trustees shall charge the said Government, and the Government shall pay to them, compound interest on the amount in arrears at the rate fixed by Article 21. This charge shall be considered as interest due to those special guarantor Governments which met their obligations by the said date, in consideration of the fact that the delay was calculated to retard payment of the sums reimbursable to them, and the sums received shall be paid over to the said special guarantor Governments in proportion to the amount paid by them in excess of their liabilities as ordinary guarantors.

#### Article 20.

1. The amount of each default by the borrowing Government in meeting a guaranteed payment due on a loan shall constitute a debt of that Government to the Trustees, bearing compound interest, at the rate mentioned in Article 21, as from the date at which the Government was due to provide the Trustees with the funds necessary for the service of the loan.

2. The payments received by the Trustees from the borrowing Government after it has defaulted in meeting the guaranteed service of its loan shall, if necessary, be applied in the first instance to making good any arrears in the guaranteed service of the loan which have occurred, notwithstanding the ordinary guarantees and special guarantees provided by the present

Convention, and, secondly, to reconstituting the reserve provided for by Article 15, paragraph 5 (*b*). Subject to this provision, any amounts not required for meeting the current service of the loan shall be used to reimburse to the special guarantor and ordinary guarantor Governments, with the appropriate interest, the amounts which they have furnished to meet defaults in the service of the loan and which have not been reimbursed to them. Each Government shall be entitled to be reimbursed the sum paid by it in the capacity of an ordinary guarantor with compound interest at the rate mentioned in Article 21, as from the date of its payment to the Trustees. Each special guarantor Government shall, in addition, be entitled to receive the amount paid in excess of its liability as an ordinary guarantor, together with its share of any interest chargeable to other Governments under Article 19. Priority shall be given to reimbursement to the special guarantor Governments of the amounts paid by them in excess of their liabilities as ordinary guarantors, and the sums due in respect of earlier defaults shall be met in full before any payment is made in respect of later defaults. Subject to the above provisions, the reimbursement shall be effected *pro rata* to the sums due to the various Governments.

3. A reimbursement to the special guarantor Governments effected under paragraph 2 shall cancel *pro rata* the claims of these Governments against other ordinary or special guarantor Governments. The Trustees shall determine what liabilities are extinguished or reduced and notify the Governments concerned.

*Article 21.*

The compound interest provided for in Articles 19 and 20 shall be calculated half-yearly and shall be at a rate one per cent higher than the rate of interest payable on the guaranteed loan, or, if the loan was issued in several series, on the particular series in the service of which the default occurs.

*Article 22.*

All questions arising in the execution of Articles 16 to 21 inclusive shall be settled by the Trustees, subject to appeal by any Government concerned to the Council of the League of Nations, whose decision shall be final. The appeal to the Council shall not suspend the execution of the Trustees' decision.

GUARANTEE OF STATES NOT MEMBERS OF THE LEAGUE OF NATIONS.

*Article 23.*

The Council of the League of Nations, with the consent of those Governments which are interested in the particular loan as special guarantors, may accept an offer by a State which is not a Member of the League to participate in guaranteeing the annual service of a particular loan which the Council decides to authorise in application of the present Convention. The acceptance of the offer shall not entail the assumption by any Government, whether as an ordinary or as a special guarantor, of liability to make payments greater than it would have been liable to make if the non-Member State had not agreed to participate.

GENERAL PROVISIONS.

*Article 24.*

The Trustees shall, if so directed by the Council of the League of Nations, suspend all payments to, or for the benefit of, the Government or inhabitants of a territory to which the financial sanctions provided for in Article 16 of the Covenant have become applicable; the sums retained by the Trustees shall become payable, together with any interest which they may have earned, so soon as the Council shall be of opinion that the maintenance of the said sanctions is no longer justified.

*Article 25.*

The ordinary or special guarantor Governments undertake to facilitate to the fullest possible extent the issue of loans authorised under the present Convention, both by opening their financial markets to such loans and by abstaining from any measure capable of compromising the efficacy of the financial assistance provided for by the present Convention.

*Article 26.*

For the purposes of the present Convention, the gold franc shall mean a monetary value equivalent to 0.322581 gramme or 4.97818 grains of gold nine-tenths fine.

*Article 27.*

Any dispute as to the interpretation or as to the method of application of the present Convention shall be settled by a decision of the Council of the League of Nations.

*Article 28.*

1. Decisions of the Council under Articles 1 or 2 or those suspending the loan in accordance with Article 15, paragraph 3 shall be taken by the unanimous vote of the Members represented at the meeting, the votes of representatives of the parties to the dispute not being counted in determining such unanimity.

2. All other decisions taken by the Council in virtue of the present Convention shall be taken by a simple majority vote of the Members represented at the meeting, the votes of the representatives of the parties to the dispute not being counted.

3. A Member of the League which is not a Member of the Council cannot claim to sit on the Council, when the latter discusses questions arising under the present Convention, in virtue solely of the fact that it is an ordinary guarantor or special guarantor under the present Convention.

*Article 29.*

The provisions of the present Convention may not be interpreted as affecting the rights and obligations of the High Contracting Parties under the provisions of Article 16 of the Covenant.

FINAL PROVISIONS.

*Article 30.*

1. The present Convention, of which the French and English texts shall both be authentic, shall bear to-day's date; it may, until December 31st, 1931, be signed on behalf of any Member of the League of Nations.

2. The present Convention shall be ratified. The instruments of ratification shall be transmitted to the Secretary-General of the League of Nations, who shall notify their receipt to all the Members of the League.

*Article 31.*

As from January 1st, 1932, the present Convention may be acceded to on behalf of any Member of the League of Nations. The instruments of accession shall be transmitted to the Secretary-General of the League of Nations, who shall notify their receipt to all the Members of the League.

*Article 32.*

It shall be a condition of the entry into force of the present Convention that the ratifications or accessions which it has received shall have resulted in causing a sum of not less than 50 million gold francs, for the annual service of loans, to be covered by ordinary guarantees and also by the special guarantees of not less than three Governments.

*Article 33.*

1. The present Convention shall enter into force ninety days after the date on which the conditions provided for in Article 32 are satisfied and subject to the provisions of Article 35.

2. The Secretary-General shall make the calculations necessary for the purpose of Article 32. He shall notify the entry into force of the Convention to all the Members of the League.

3. In the case of a Member of the League of Nations on whose behalf a ratification or accession is subsequently deposited, the Convention shall take effect on the day on which the instrument of ratification or accession is deposited with the Secretary-General of the League of Nations.

4. The total maximum amount covered by ordinary guarantees in accordance with Article 7 on the date of entry into force of the Convention, and any subsequent increase in that amount resulting from a new ratification or accession, shall be notified to all the Members of the League by the Secretary-General.

*Article 34.*

Subject to the conditions laid down in Article 35, the following provisions shall apply:

1. The present Convention shall be concluded for a period continuing until the end of the year 1945.

2. It shall continue in force for further successive periods of five years as between such High Contracting Parties as do not denounce it at least two years before the expiration of the current period.

3. Denunciation shall be effected by a written notification deposited with the Secretary-General of the League of Nations, who shall notify its receipt to all the Members of the League. A denunciation may relate merely to the guarantee of the Government of a particular territory of the High Contracting Party.

4. Notwithstanding the provisions of paragraph 2, the Convention shall cease to be in force, so far as it relates to the authorisation of new loans, at the end of the original period for which it is concluded, or of any successive period for which it continues in force, if at that date, as a result of denunciations, or of the operation of paragraph 7 below, the annual sum to which the ordinary guarantees amount is less than 50 million gold francs or the number of special guarantor Governments has fallen below three.

5. (a) The obligations of any Government in respect of loans already authorised in virtue of the present Convention shall not be affected by denunciation of the Convention, or by its ceasing to be in force, under the provisions of paragraph 4 above or of Article 35.

(b) The Council of the League of Nations and the Trustees shall continue to exercise in respect of loans already authorised all the functions attributed to them by the present Convention until such loans have been repaid in full.

6. If the ratifications or accessions necessary to bring the present Convention into force have not been received before the end of the year 1935, the Council of the League of Nations shall convene a conference to examine the situation.

7. Withdrawal or exclusion from the League of Nations shall, on the date on which it becomes effective, terminate all the rights and obligations of the Government concerned under the present Convention, except such obligations as already rest upon it in consequence of the previous authorisation of a loan in application of the Convention.

*Article 35.*

1. The entry into force of the present Convention, and its maintenance in force as regards the authorisation of new loans, shall be conditional, in respect of each of the High Contracting Parties, upon the entry into force and maintenance in force, in respect of that Party, of a plan for the reduction of armaments adopted in execution of Article 8 of the Covenant of the League of Nations.

2. Notwithstanding the provisions of Articles 1, 2 and 14, if, after the expiration of one year from the entry into force of the plan referred to above, a High Contracting Party is not acting in conformity with his obligations under such plan, he shall not benefit by the financial assistance provided for by the present Convention.

*Article 36.*

The present Convention shall be registered by the Secretary-General of the League of Nations on the date of its entry into force.

IN FAITH WHEREOF, the above-mentioned plenipotentiaries have signed the present Convention.

DONE at . . . . . the . . . . . day of . . . . . one thousand nine hundred and . . . . . in a single copy, which shall be kept in the archives of the Secretariat of the League of Nations, and of which certified true copies shall be delivered to all the Members of the League.

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**Annex I.**

**Form of Ordinary Guarantee Bond.**

LOAN OF THE GOVERNMENT OF .....  
guaranteed in virtue of the Convention for Financial Assistance made at .....  
on .....  
Issue of ..... (state particulars of issue)

ORDINARY GUARANTEE BOND OF THE GOVERNMENT OF .....

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WHEREAS, subject to the provisions of the above-named Convention for Financial Assistance, the Government of ..... (name of guarantor Government) ..... is an ordinary guarantor of loans authorised and contracted in accordance therewith;

AND WHEREAS the Trustees provided for in the said Convention have certified to the said Government that the Government of ..... (name of borrowing Government) ..... has concluded a contract, which has been duly approved and certified as required by the said Convention, for the issue of ..... (state particulars of issue) ..... being part (the whole) of a loan authorised by the Council of the League of Nations in virtue of the said Convention and enjoying the ordinary guarantee of the Government of ..... (name of guarantor Government) .....

AND WHEREAS the aforementioned Trustees have certified to the Government of ..... (name of guarantor Government) ..... that (a) the total amount of each payment due in respect of the issue provided for by the aforementioned contract, and (b) the

maximum sum for which the Government of ..... (name of guarantor Government) ..... may be liable as an ordinary guarantor in respect of each such payment are respectively the sums set out in columns A and B of Parts I and II of the Schedule reproduced below:

NOW THEREFORE the Government of ..... (name of guarantor Government) ..... hereby acknowledges that it has guaranteed each of the said payments to the extent of its liability as an ordinary guarantor as stated in the said Schedule; and on presentation by or on behalf of the aforementioned Trustees of any of the coupons attached to the present Bond at ..... (state place for presentation) ..... in accordance with the provisions of the Convention, it will forthwith pay to the bearer or as the Trustees may direct, in ..... (insert currency in which the issue is made) ....., the sum, not exceeding the maximum payable thereon, which is certified by the Trustees to be due on the coupon to make good a deficit in the funds provided for making the payment to which the coupon relates.

**Schedule of Interest and Amortisation Payments and of the corresponding maximum liabilities resulting from the ordinary guarantee of the Government of.....**

**Part I. — Interest Payments.**

Date at which interest payment is due.	A Total amount of payment.	B Maximum liability of the Government of ..... as an ordinary guarantor.
.....	.....	.....

**Part II. — Amortisation Payments.**

Date at which amortisation payment is due.	A Total amount of payment.	B Maximum liability of the Government of ..... as an ordinary guarantor.
.....	.....	.....

Date ..... (Signed) .....

**Form of Interest Coupon attached to Ordinary Guarantee Bond.**

LOAN OF THE GOVERNMENT OF .....  
 guaranteed in virtue of the Convention for Financial Assistance made at .....  
 on .....  
 Issue of ..... (state particulars of issue) .....

COUPON for the sum payable by the Government of .....  
 as an ordinary guarantor in respect of the instalment of interest due on the .....  
 (date of interest payment) .....

On presentation of this coupon on or after the twentieth day preceding the .....  
 (date when interest instalment is due) ..... at .....  
 (place for presentation) ..... by or on behalf of the Trustees provided for  
 in the above-named Convention, the Government of ..... (name of  
 guarantor Government) ..... will pay to the bearer, or as otherwise directed

by the Trustees, in ..... (insert currency of loan issue) .....  
the sum, not exceeding ..... (amount of the Government's maximum  
liability as an ordinary guarantor) ..... which is certified below to have  
become payable on this coupon.

(Signed) .....

*Certificate of Trustees.*

We certify that the sum of ..... has become payable on this coupon  
to make good a deficit of ....., in the funds provided for making the  
interest payment to which this coupon relates.

Date ..... (Signed) .....

**Form of Amortisation Coupon attached to Ordinary Guarantee Bond.**

LOAN OF THE GOVERNMENT OF .....  
guaranteed in virtue of the Convention for Financial Assistance made at .....  
on .....  
Issue of ..... (state particulars of issue) .....

COUPON for the sum payable by the Government of ..... as an ordinary  
guarantor in respect of the amortisation payment due on the ..... (date of  
amortisation payment) .....

On presentation of this coupon on or after the twentieth day preceding the .....  
(date of amortisation payment) ..... at ..... (place  
for presentation) ..... by or on behalf of the Trustees provided for in the  
above-named Convention, the Government of ..... (name of guarantor  
Government) ..... will pay to the bearer, or as otherwise directed  
by the Trustees, in ..... (insert currency of loan issue) .....  
the sum, not exceeding ..... (amount of the Government's maximum  
liability as an ordinary guarantor) ....., which is certified below to have  
become payable on this coupon.

(Signed) .....

*Certificate of Trustees.*

We certify that the sum of ..... has become payable on this coupon  
to make good a deficit of ..... in the funds provided for making the  
amortisation payment to which this coupon relates.

Date ..... (Signed) .....

Annex II.

Form of Special Guarantee Bond.

LOAN OF THE GOVERNMENT OF .....  
 guaranteed in virtue of the Convention for Financial Assistance made at .....  
 on .....  
 Issue of ..... (state particulars of issue)  
 .....  
 SPECIAL GUARANTEE BOND OF THE GOVERNMENT OF .....

WHEREAS, subject to the provisions of the above-named Convention for Financial Assistance, the Government of ..... (name of guarantor Government) ..... is a special guarantor of loans authorised and contracted in accordance therewith;

AND WHEREAS the Trustees provided for in the said Convention have certified to the said Government that the Government of ..... (name of borrowing Government) ..... has concluded a contract, which has been duly approved and certified as required by the said Convention, for the issue of ..... (state particulars of issue) ..... being part (the whole) of a loan authorised by the Council of the League of Nations in virtue of the said Convention and enjoying the special guarantee of the Government of ..... (name of guarantor Government) .....

AND WHEREAS the aforementioned Trustees have certified to the Government of ..... (name of guarantor Government) ..... that (a) the total amount of each payment due in respect of the issue provided for by the aforementioned contract, and (b) the maximum sum for which the Government of ..... (name of guarantor Government) ..... may be liable as an ordinary guarantor in respect of each such payment, and (c) the maximum sum for which the said Government may be liable as a special guarantor in respect of each such payment, are respectively the sums set out in columns A, B and C of Parts I and II of the Schedule reproduced below:

NOW THEREFORE the Government of ..... (name of guarantor Government) ..... hereby acknowledges that it has guaranteed each of the said payments to the extent of its liability as a special guarantor as stated in the said Schedule; and on presentation, by or on behalf of the aforementioned Trustees, of any of the coupons attached to the present Bond at ..... (state place for presentation) ..... in accordance with the provisions of the Convention, it will forthwith pay to the bearer or as the Trustees may direct, in ..... (insert currency in which the issue is made) ....., the sum, not exceeding the maximum payable thereon, which is certified by the Trustees to be due on the coupon to make good a deficit in the funds provided for making the payment to which the coupon relates.



Schedule of Interest and Amortisation Payments and of the corresponding maximum liabilities resulting from the special guarantee of the Government of .....

Part I. — Interest Payments.

	A	B	C
Date at which interest payment is due.	Total amount of payment.	Maximum liability of the Government of ..... as an ordinary guarantor.	Maximum liability of the Government of ..... as a special guarantor ( <i>i.e.</i> , liability as an ordinary guarantor, plus additional sum simultaneously guaranteed.)
.....	.....	.....	.....

Part II. — Amortisation Payments.

	A	B	C
Date at which amortisation payment is due.	Total amount of payment.	Maximum liability of the Government of ..... as an ordinary guarantor.	Maximum liability of the Government of ..... as a special guarantor ( <i>i.e.</i> , liability as an ordinary guarantor, plus additional sum simultaneously guaranteed).
.....	.....	.....	.....

Date ..... (Signed) .....

Form of Interest Coupon attached to Special Guarantee Bond.

LOAN OF THE GOVERNMENT OF .....  
 guaranteed in virtue of the Convention for Financial Assistance made at .....  
 on .....  
 Issue of ..... (state particulars of issue) .....

Coupon for the sum payable by the Government of .....  
 as a special guarantor in respect of the instalment of interest due on the .....  
 (date of interest payment) .....

On presentation of this coupon on or after the twentieth day preceding the .....  
 (date when interest instalment is due) ..... at .....  
 (place for presentation) ..... by or on behalf of the Trustees provided for  
 in the above-named Convention, the Government of ..... (name of  
 guarantor Government) ..... will pay to the bearer, or as otherwise directed  
 by the Trustees, in ..... (insert currency of loan issue) .....  
 the sum, not exceeding ..... (amount of the Government's maximum  
 liability as a special guarantor) ....., which is certified below to have  
 become payable on this coupon.

(Signed) .....

Certificate of Trustees.

We certify that the sum of ..... of which .....  
 is due from the Government of ..... (name of guarantor Government)  
 ..... as an ordinary guarantor, and the balance, *i.e.*, .....  
 constitutes the additional sum simultaneously guaranteed, has become payable on this coupon  
 to make good a deficit of ..... in the funds provided for making the  
 interest payment to which this coupon relates.

Date ..... (Signed) .....

Form of Amortisation Coupon attached to Special Guarantee Bond.

LOAN OF THE GOVERNMENT OF .....  
guaranteed in virtue of the Convention for Financial Assistance made at .....  
on .....  
Issue of ..... (state particulars of issue) .....

COUPON for the sum payable by the Government of ..... as a special  
guarantor in respect of the amortisation payment due on the ..... (date of  
amortisation payment) .....

On presentation of this coupon on or after the twentieth day preceding the .....  
(date of amortisation payment) ..... at ..... (place  
of presentation) ..... by or on behalf of the Trustees provided for in the  
above-named Convention, the Government of ..... (name of guarantor  
Government) ..... will pay to the bearer, or as otherwise directed  
by the Trustees, in ..... (insert currency of loan issue) .....  
the sum, not exceeding ..... (amount of the Government's maximum  
liability as a special guarantor) ....., which is certified below to have  
become payable on this coupon.

(Signed) .....

Certificate of Trustees.

We certify that the sum of ..... of which .....  
is due from the Government of ..... (name of guarantor Government)  
..... as an ordinary guarantor, and the balance, *i.e.*, .....  
constitutes the additional sum simultaneously guaranteed, has become payable on this coupon  
to make good a deficit of ..... in the funds provided for making the amorti-  
sation payment to which this coupon relates.

Date ..... (Signed) .....



