

*Money, banking and finance -
Banking principles and mechanisms*

**BANK FOR
INTERNATIONAL SETTLEMENTS**

THIRD ANNUAL REPORT

APRIL 1, 1932 — MARCH 31, 1933

BASLE

May 8, 1933

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THIRD ANNUAL REPORT
TO THE GENERAL MEETING OF THE
BANK FOR INTERNATIONAL SETTLEMENTS
BASLE, May 8, 1933.

Gentlemen :

In compliance with the provisions of the Statutes, I have the honor to submit to you the Third Annual Report of the Bank for International Settlements, which covers the fiscal year beginning April 1, 1932 and ending March 31, 1933:

For the Bank for International Settlements, the year has been an eventful one, during which, while the volume of its ordinary banking business has necessarily been curtailed by the general falling off of international financial transactions and the continued departure from gold of more and more currencies, culminating in the defection of the American dollar, nevertheless the scope of its general activities has steadily broadened in sound directions. The widening of activities, aside from normal growth in developing new contacts, has been the consequence, primarily, of a year replete with international conferences, and, also, of the rapid extension of chaotic conditions in the international monetary system. In view of all the events which have occurred, the Bank's Board of Directors determined to define the position of the Bank on the fundamental currency problems facing the world and it unanimously expressed the opinion, after due deliberation, that in the last analysis "the gold standard remains the best available monetary mechanism" and that it is consequently desirable to prepare all the necessary measures for its international reestablishment. *

The Bank for International Settlements is carefully examining these measures, insofar as they lie within the power of central banks, and it becomes more and more evident with the passage of time that one of the useful roles the Bank can play in the international financial system is to serve as a central instrument of the banks of issue in assisting to coordinate the proper functioning of the gold standard; for this standard will work no better in the future than in the past, if the unregulated anarchy which has prevailed in its application and the short-sighted individualism which has been practised in its operation commence all over again.

It was in the field of monetary and financial restoration that many of the various international conferences held during the year suggested or provided new functions for the Bank. Thus, the Conference of Lausanne, after still further subordinating the already secondary reparation activities of the institution, placed upon it new tasks relating to the international efforts to bring about monetary and financial recovery in connection with the World Conference and the preparations therefor. These tasks have been carried

* For full text of the Board Resolution, see page 23.

out concurrently with the discharge of the routine business of the Bank, which has developed satisfactorily and profitably notwithstanding the general crisis, and the tasks are being continued without interference with the gradual expansion of the Bank's work in promoting cooperation between central banks. The Report which follows deals with the multifarious phases of the Bank's activity during the third year, against the background of the chief events of an international financial character, such as gold movements, the trend of interest rates, short term capital movements and those outstanding features of currency policy which have directly affected the Bank and especially affected those twenty-five central banks which are members of it.

On the whole, 1932 may be styled a year of adaptation to changed conditions prevailing in the economic and monetary situation and one of some definite constructive effort. The most important constructive measures were taken or initiated at two periods — the first in February and the second in the last half of June and beginning of July. It was in February that the Bank of England, after the repayment of more than half of the large currency credits taken up in the previous summer, lowered its discount rate from 6 to 5 per cent, and thereby gave the signal to the downward movement of interest rates which was continued all through the year in most parts of the world. In the same month the German Government put into effect a plan for the thorough reorganisation of the large German banks, which involved a considerable writing off of assets and the supply of new capital with the aid of the Treasury and, indirectly, of the Reichsbank. This reorganisation permitted the re-opening of the German Stock Exchange, which had been closed for seven months. In the United States the Glass-Steagall Bill was adopted on February 27, giving greater freedom to the Federal Reserve Banks and enabling them to alleviate the pressure exerted by internal currency hoarding and withdrawals of gold. On the basis of the provisions of this new act, the Reserve Banks purchased Government securities in the open market to an amount which in June reached \$ 1,100 million, a sum then sufficient not only to counterbalance withdrawals and hoarding, but also to provide member banks with substantial excess reserves.

At about the same time two further events of outstanding importance took place. The first was the conversion of more than £ 2,000 million of the public debt of Great Britain from a 5 per cent on to a 3½ per cent basis, which was announced in the second half of June and met with immediate response; such a measure was welcomed not only because it helped to alleviate the British budget, but also for the downward influence which it exercised on long-term interest rates. Further, the successful outcome of the Lausanne Conference in July, the value of which it is hard to overestimate, revealed willingness by the Reparation creditors — in the first place France — to make very large concessions and it meant the elimination of one of the most serious political hindrances to economic recovery.

These are outstanding measures. But attention must not be concentrated on them alone. A close examination of developments would show that the large volume of international credits was further reduced, that strenuous efforts were made in many branches of public and private economy to balance revenue and expenditure, to establish equilibrium between costs and prices, to render assets more liquid, to reach agreed arrangements for postponing or scaling down debt payments, to overcome the difficulties resulting from the liquidity crisis and to maintain control of the currency position, even when foreign exchange restrictions were, in the interests of trade, gradually relaxed. One marked feature of the period was the unparalleled volume of gold movements.

II. GOLD AND SHORT-TERM CREDIT MOVEMENTS.

While the international movement of goods registered an unprecedented decline in 1932, gold movements reached proportions never before experienced.

During the year the total gold production of the world attained the high figure of \$ 495 million, or 2,559 million Swiss francs, thereby establishing a new record by surpassing the production of the previous peak year, 1915, by 139 million Swiss francs, and that of 1931 by 184 million. While it is to be expected that gold production should rise in a period of sharply falling prices and plentiful labour supply, the increase has exceeded even the most optimistic forecasts. It has been most marked in the Union of South Africa and Canada, by far the largest percentage increase occurring in the latter country. Production in the United States, after having declined fairly steadily from 1915 to 1929, has risen again and at a progressively greater rate during each of the past three years.

ANNUAL GOLD PRODUCTION

| Year | Union of South Africa | U. S. A. | Canada | World | |
|-------|--------------------------|----------|--------|--------|-----------------------------|
| | Thousands of fine ounces | | | | Millions of Swiss Francs |
| 1915* | 9,096 | 4,888 | 918 | 22,594 | 2,420 |
| 1923 | 9,149 | 2,503 | 1,233 | 17,786 | 1,905 |
| 1924 | 9,575 | 2,529 | 1,525 | 19,050 | 2,041 |
| 1925 | 9,598 | 2,412 | 1,736 | 19,031 | 2,039 |
| 1926 | 9,955 | 2,335 | 1,754 | 19,369 | 2,075 |
| 1927 | 10,122 | 2,197 | 1,853 | 19,446 | 2,083 |
| 1928 | 10,354 | 2,233 | 1,891 | 19,583 | 2,098 |
| 1929 | 10,412 | 2,208 | 1,928 | 19,585 | 2,098 |
| 1930 | 10,716 | 2,286 | 2,102 | 20,293 | 2,174 |
| 1931 | 10,878 | 2,396 | 2,694 | 22,168 | 2,375 |
| 1932 | 11,559 | 2,513 | 3,051 | 23,884 | 2,559 |

* Record year prior to 1932.

Among the gold producing countries the influence of the new gold was particularly helpful in Canada. Since the departure of sterling from the gold standard, and the simultaneous depreciation of the Canadian dollar, the gold production of the Dominion has been bought by the Government at the prevailing market rate. The large production of 1932, \$ 63 million at par, gave to the producing companies approximately \$ 70 million in Canadian currency, and greatly aided the Government in meeting its maturing obligations punctually and in supporting the exchange. In the Union of South Africa the production of gold made possible the maintenance of the gold standard until the last week of 1932 when, however, the large outflow of funds caused by speculation depleted the reserves and forced the country to suspend the gold standard. Under an agreement with the mines the South African Reserve Bank had up to that time purchased the newly produced gold at par, which enabled the Bank within a short space of time to recover the losses it incurred through the depreciation of sterling and to reconstitute its capital and reserves.

Whereas production has increased, the demand for gold by the arts has fallen to a very low level and, even more important, India and China, instead of absorbing a substantial part of the newly-mined gold, have continued to export gold previously hoarded. In the three months of October, November and December 1931, gold to the value of nearly

500 million Swiss francs was exported from India; during 1932, Indian gold exports amounted to a little more than 1,000 million Swiss francs, a sum not greatly inferior to the value of South African production, which was 1,238 million Swiss francs.

The great volume of "new" gold which became available during 1932 from the mines and from India had its effect not only upon those countries in which it originated but also upon those to which it passed. The entire Canadian production was exported directly to the United States, but that of South Africa was, as usual, sold in London. In addition, almost 78 per cent of the gold exported from India was sold in London (approximately 19 per cent being shipped directly to the United States and about 3 per cent disposed of in the Netherlands and France). The bulk of the South African and Indian gold offered in London was sold against gold currencies, usually dollars or francs, depending on whichever was the stronger. In the case of the South African sales a large part, and in the case of the Indian sales practically all, of the proceeds received in these gold currencies was thereafter sold for sterling.

It would seem as if the sterling acquired from the sales of South African gold was on the whole limited to the amount needed for the current requirements of South Africa in London, and for that reason no extra support was given to the pound by the gold coming from that country. The effect upon sterling of the Indian gold exports was quite different. These exports enabled India not only to meet its foreign payments without resort to borrowing in London, as would otherwise probably have been the case, but also to reduce its liabilities and increase its balances in sterling. In this way very marked support was given to the pound and through it to those currencies which more or less follow the movements of the British exchange. The flow of Indian gold has, moreover, provided an extra source of supply to meet the extensive demands for European and American hoarding, which made themselves felt intermittently during the year under review.

In the following table an attempt has been made to indicate for each quarter of 1932 the amount of gold derived from production and from India and China, the amount of gold used by the arts, as well as the increase or decrease of gold in the reserves of Central Banks and Governments, in order to obtain a rough estimate of the amounts hoarded and de-hoarded in the different periods:

| Millions of Swiss francs | Gold production | Gold from India and China | Gold used by arts (estimated) | Net total | Increase(+) or decrease (—) in gold reserves | De-hoarding (+) or hoarding (—) (outside India and China) |
|--------------------------|-----------------|---------------------------|-------------------------------|-----------|--|---|
| 1932 | | | | | | |
| 1st quarter . . | 610 | 330 | — 60 | 880 | + 1,090 | + 210 |
| 2nd „ . . | 630 | 230 | — 60 | 800 | — 780 | — 1,580 |
| 3rd „ . . | 660 | 300 | — 60 | 900 | + 1,790 | + 890 |
| 4th „ . . | 660 | 350 | — 60 | 950 | + 1,030 | + 80 |

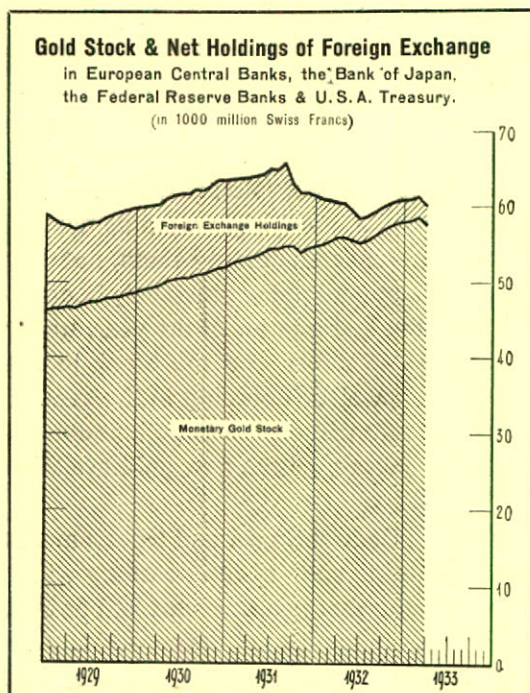
Although some of the figures included in the above table are admittedly only estimates and although the increase or decrease in reserves may be influenced by the methods employed for accounting gold in transit, etc., the figures shown in the last column may be regarded as sufficiently approximate to illustrate the movements during the year. The recovery of sterling in January and February 1932, the reorgani-

sation of the banks in Germany, the hopes for a spring revival of trade and industry — all tended to sustain confidence during the first quarter. The new gold which became available during that period was allowed to reach the Central Banks and some gold even came out of hoards. In the second quarter, under the influence of untoward happenings on the financial markets, and in the absence of any clear evidence of better trade, disappointments soon were felt; apprehension for the dollar brought about by legislative proposals of an inflationary character and by the party struggle over the budgetary situation caused foreign holdings in the United States to be converted into gold, and the pessimistic outlook prevailing as to the possibility of solving the reparation question, all resulted in a sharp increase in hoarding, so that not only did Central Banks receive no new gold but they actually lost several hundred millions from their reserves. In June the withdrawals of gold from the United States came to an end for the year 1932; at the same time the debt conversion scheme was launched in England and a gratifyingly rapid settlement of reparations was reached at Lausanne. The public, impressed by these events, not only stopped hoarding, but, in addition, released substantial amounts of the previously hoarded gold which flowed back to the Central Banks. During the last quarter of the year, under the influence of re-opened discussions about inter-allied debts and the break in the sterling exchange, confidence slowly waned, and a renewal of hoarding in the second half of November had by the end of the year almost reabsorbed the large amount de-hoarded in October. For the last quarter as a whole, however, all the new gold available went to monetary reserves.

The total increase in the monetary gold reserves of Central Banks and Governments for 1932 was 3,125 million Swiss francs. This means that, in spite of the hoarding which took place, monetary reserves received new gold during the year in an amount 22 per cent greater than the total gold production of the record year in the history of the world. And although European Central Banks during the first half of 1932 converted more than \$ 700 million of their dollar holdings into gold, the gold reserves of the United States were only \$ 6 million smaller at the end of the year than they had been at the beginning. But in the first quarter of 1933 the anxiety caused by the banking crisis led to a reduction in American gold reserves, later, however, to be replenished as a result of a series of anti-hoarding measures.

The increase during 1932 in the gold holdings of the Central Banks in France, the Netherlands and Switzerland alone amounted to about 3,380 million Swiss francs, and thus exceeded by about 250 million the increment to total gold reserves in that year. The Bank of England also acquired gold in 1932, but, after the payment of the war debt instalment due on December 15, the Bank's gold reserve fell below the figure at which it had stood at the beginning of the year. New acquisitions during the first few months of 1933 — the period of the year when sterling is seasonally strong — have again increased the gold holdings of the Bank of England to a figure exceeding £ 170 million. Other Central Banks, in countries not on gold, have shown tendencies to add to their gold stocks. An increase of over 200 million Swiss francs is registered in the holdings of the State Bank of the U. S. S. R. in 1932 in spite of gold exports to Germany amounting to 240 million. On the other hand the Bank of Japan has reduced its gold stock since the beginning of 1932 by the equivalent of about 115 million Swiss francs to meet foreign payments. With regard to countries other than those mentioned above, gold movements have occurred on a very moderate scale; often no change has taken place throughout the year.

It is now possible to show the combined effects on Central Bank reserves of the main factors which have influenced them since 1931, that is to say: the strain to which debtors were exposed during the height of the liquidity crisis; the conversion into gold of foreign exchange held by Central Banks; and the large supply of new monetary gold. The following chart sets out the development which has taken place.



At the end of 1932 net foreign exchange holdings of Central Banks amounted to only a quarter of the amount they had reached in the spring of 1931 before the outbreak of the financial crisis. This decline is the outcome of two separate developments:

(i) Central Banks in debtor countries, which had accumulated foreign exchange, employed this exchange as a first line of defence for meeting foreign payments when the need arose. It may be estimated that perhaps in all an amount of about 2,500 million Swiss francs was employed for this purpose.

(ii) Central Banks which had at their disposal foreign exchange not required for immediate payments have to a very large extent converted these holdings into gold. It would seem that conversions under this head approximated some 5,000 million Swiss francs.

During 1932 a few Central Banks again acquired foreign exchange but in the first quarter of 1933 substantial conversions of foreign exchange into gold were again effected, partly in connection with the anxiety caused by the American banking situation.

It will be seen from the chart above that the total monetary gold reserves held in Europe, the United States and Japan have risen by about 5,000 million Swiss francs from March, 1931, to the end of 1932. The combined monetary reserves, consisting of gold and foreign exchange, fell, however, by more than 3,000 million Swiss francs as a result of the abrupt decline in foreign exchange holdings.

The new gold which has become available has naturally tended to flow to the financially stronger countries, which, therefore, have on balance not been involved in the decline. Experience has shown, however, that even the country which possessed the largest gold holdings — the United States — has twice found that the legal provisions governing the utilisation of its reserves were too inelastic in a period of sudden movements; in consequence its monetary authorities were given greater latitude in their management. In other countries liberalising amendments have been made in Central Bank Statutes. Thus, the minimum legal ratio of the Austrian National Bank was reduced from 24 to 20 per cent in August, 1932. In Poland, the minimum legal ratio against notes and other sight liabilities, which had been 40 per cent of gold and foreign exchange (of which 30 per cent in gold), was, under the new provisions adopted in February, 1933,

reduced to 30 per cent of gold (alone) against notes and other sight liabilities in excess of 100 million zloty.

In the course of the year I have on several occasions drawn the attention of the Board of the Bank for International Settlements to these changes in Central Bank statutes and have emphasized the great importance of a development which enhances the power and freedom of action of Central Banks. The Preparatory Commission for the Monetary and Economic Conference was undoubtedly correct when it stated in its report that "present-day legislation in many countries renders much gold unavailable for international use". I fully share the opinion of the Commission that some steps can be taken which will permit more effective use of Central Bank reserves, although the note of warning sounded by the Commission must also be borne in mind, namely that the greater elasticity must not be taken by countries with limited resources as an excuse for the building up of a large superstructure of currency and credit, for then the free margin would be dissipated, and the purpose of the reform — the strengthening of the position of the Central Bank concerned — would not be achieved. More and more the monetary experience has demonstrated that the true use of gold in the modern world is to serve as a medium of international payment when the exchanges or the international balances are adverse; if the international gold standard is to be reconstituted, as it must be, practice should take account of this lesson and Central Banks should combat any conception that gold is properly employable as a store of wealth, or that its primary object is to assure internal convertibility of notes so that all who will may hoard gold coin on demand, to the detriment of the public good and of general economic welfare. In this connection a more general employment of the gold bullion standard would appear desirable.

The increased elasticity of Central Bank reserves, to which I have just referred, is particularly desirable in order to enable the Banks to cope successfully with the problems created by the large volume of short-term funds susceptible to rapid movement from one country to another. During the period covered by my last report — April 1, 1931 to March 31, 1932 — monetary developments were largely determined by mass withdrawals of credits from debtor countries, the total liquidation of international indebtedness reaching, within a single year, the high total of approximately 30 billion Swiss francs, a liquidation made possible partly by the new monetary credits arranged during that year. In the following period the repayment of short-term credits continued, but the scale of liquidation, even if exceptional compared with normal conditions, was smaller than in the previous phase. Three outstanding series of transactions may be specially mentioned: the advances made in August 1931 to the British market in support of sterling, already partially repaid in February 1932, were finally extinguished in the course of the year; the substantial conversions of Central Bank dollar holdings into gold, which began in the autumn of 1931, came to an end in July 1932 but were resumed in the first quarter of 1933 in consequence of the domestic banking crisis; the advance to the Reichsbank, arranged through the Bank for International Settlements and amounting originally to \$ 100 million, was reduced by several instalments in 1932 and the first quarter of 1933, the balance remaining being fully repaid at the beginning of April 1933.

It has been computed that the total international short-term indebtedness outstanding at the end of 1932 amounted to 30 billion Swiss francs and that approximately one-half of this indebtedness represented liabilities which were in fact governed by Standstill agreements, moratoria, exchange restrictions, etc. As regards these blocked

accounts, some new facilities have been granted in several countries to foreign creditors enabling them to dispose within defined limits of such balances either for disbursements in the debtor country (for instance by tourists), or for purchases of capital assets, or for certain payments in respect of so-called "supplementary exports", i. e. exports from debtor countries which might not otherwise have been made. Though no final solution can be expected from these minor measures, they constitute steps in the right direction.

Apart from the outstanding liquidations of short-term credits already mentioned, the flow of funds from market to market has been subject to certain abnormal forces which in many respects have added to the difficulties of the situation. It has been found, for instance, that ordinary business balances have by force of circumstances been influenced by speculative currents and form, so to say, a mass of semi-speculative funds. These balances have been increased or reduced not only to meet varying business needs, but also in anticipation of a further rise or fall in the exchanges, when currencies have fluctuated appreciably or fears have been entertained as to their stability. This development not only puts an extra strain on the individual trader, who is compelled to form an opinion on complicated exchange questions, but it also tends to provoke erratic streams of funds between different markets; even if the resultant position over a longer period may not be substantially affected, the day-to-day movements may be considerably disturbed.

A not inconsiderable movement of funds — and in this case of a more fundamental character — has arisen from the repurchase by nationals in debtor countries of their Government and other bonds originally issued abroad. Market quotations have in many instances made such repatriation very profitable and there is no doubt that larger amounts would have been bought back had it not been for the difficulty of obtaining foreign exchange in countries where restrictions were in force. In a few cases such repurchases were facilitated by the authorities in connection with stimulating "supplementary exports".

A converse movement has arisen in some countries with depreciated exchanges; foreign securities have been sold abroad, the seller making a book profit or avoiding a loss in his domestic currency. It is reported that part of the foreign exchange bought by the Exchange Equalisation Account in Great Britain was derived from sales of securities, and in Sweden available statistics show that the substantial increases in the foreign assets of the Riksbank and the commercial banks during the year 1932 correspond almost exactly to the net export of bonds and shares.

Further, there has at different periods been a fairly considerable shifting of the holdings which for security reasons were accumulated by foreigners in centres with large monetary reserves. The most important instance during the year was the liquidation in the New York market from abroad, which brought the foreign balances on that market down to a relatively low figure. Sudden movements of this kind have, at times, caused the exchange rates of the countries affected to swing violently from one gold point to the other. How important it is that monetary authorities should be fully informed about the short-term liabilities of their markets is increasingly realised and some progress towards collecting such information has been made during the year.

III. THE DOWNWARD TREND OF INTEREST RATES AND SOME OUTSTANDING FEATURES OF CURRENCY POLICY.

(a) The Downward Trend of Interest Rates.

That 1932 was a year of adaptation to the changed conditions resulting from a financial crisis superimposed on a business depression is nowhere more apparent than in the movement of interest rates.

During the financial crisis of 1931 Central Banks with very few exceptions found it necessary to increase their discount rates, thus having recourse to the classical means of defending their currencies and their liquidity positions. In many instances rates then reached higher levels than those in force in the boom year of 1929.

In the latter half of 1931 some reductions in rates were indeed made by a number of Central Banks, but by those only which had applied rates so exceptionally high that even after the reductions they remained, as a rule, well above the normal; the changes of the autumn of 1931 must, therefore, be regarded more as a reaction from exaggerated crisis rates than as evidence of real improvement in the situation.

The big downward movement, which was to last throughout the year, started on February 18, 1932, with a reduction of the Bank of England rate from 6 to 5 per cent, followed by reductions in Sweden and Norway on the 19th, in Greece on the 20th and in the United States on the 26th of the same month. Downward alterations in Europe continued in the following months:

| in March | reductions in 9 countries | | |
|-----------|---------------------------|---|---|
| April | " | " | 7 |
| May | " | " | 7 |
| June | " | " | 2 |
| July | " | " | 3 |
| August | " | " | 2 |
| September | " | " | 4 |
| October | " | " | 4 |

After an interval in November and December, with only one reduction in the two months, the downward trend continued in 1933, viz:— January (three countries), February (one country) and March (three countries). In the last month the tendency was interrupted by the isolated increase of the Federal Reserve Banks, the New York rate being raised from $2\frac{1}{2}$ to $3\frac{1}{2}$ per cent on March 3, as a consequence of the banking situation. The extraordinary uniformity of the downward movement is illustrated by the fact that from the middle of January 1932 until March 1933 there was not a single increase in the discount rate of any Central Bank in the world. Annex XVII contains a Table showing, at the close of the second and third fiscal years, the prevailing discount rates of the 28 Central Banks with which the Bank maintains relations.

The reduction of money rates may, in individual countries, be attributed to a return of money from hoarding, a slight recovery in savings, a deliberate policy designed to augment bankers' balances, the acquisition of new gold by the Central Banks, or perhaps also, in some instances, to governmental action; the dominating factor of the whole movement has, however, been the lack of demand for funds due to continued stagnation in industry, commerce and the capital markets. This can also be seen from the fact that it is particularly, and often only, investments which offer the very best security on the short-term market (principally Government issues) that have primarily benefited by the interest

rate reductions. It has, indeed, been singularly difficult, even when the supply of funds has been plentiful, to make the lower rates penetrate into other branches of the credit structure, and, especially, into the various categories of long-term investments.

Some progress has, however, also been made in this respect.

Several Governments have made use of the occasion for debt conversions. In addition to the outstanding example afforded by the British conversion of more than £ 2,000 million announced in June, 1932, the Australian, Belgian, Danish, Dutch, French, Italian, Swedish and Swiss Governments have all converted in their respective countries part of the public debt. By measures of this kind a signal lead may be given to the market in helping to overcome the sluggishness of adaptation to a lower level which often characterises the rates paid by long-term borrowers less closely connected with the short-term money market than are Governments.

During the latter half of 1932 a distinct downward trend, embracing a number of countries, can also be traced in the rates of savings banks and similar institutions. In order to effect a more uniform adjustment than would result from purely individual action, Central Banks have taken steps in many cases to coordinate efforts in this direction as, for instance, in Austria, Czechoslovakia, Finland, Italy, and Sweden.

In some countries, the Government has intervened in order to bring about a decline in interest rates. This was notably the case in Germany, where the decline was made an element of the policy of general adjustment in costs so vigorously pursued during the winter of 1931-32.

Experience has shown that a decline in rates which only reaches the very short term market, although it no doubt benefits certain borrowers, is not an unmixed blessing, since financial institutions then earn less on the large amounts which, for liquidity reasons, they must keep in quick assets, and consequently are likely to be less able to reduce the rates for their regular accommodations for industry. To achieve a more widely spread reduction of interest rates, long as well as short, is a task presenting considerable difficulty, for credit is based on confidence and without a policy that begets general confidence in the whole credit structure no fundamental durable adjustments would appear possible. A reduction in the cost of capital would, however, be of great value; indeed it is indispensable in order to bring the price of money into necessary equilibrium with the other price changes that have occurred in the economic structure and as a step in the direction of making possible some future improvement in the general level of commodity prices. It would not only ease the burden borne by debtors but should also facilitate borrowing for new developments, and thereby the expansion of economic activity.

In the international field the past year has witnessed several constructive steps in the right direction, such as the important reductions made in rates payable on debts coming under Standstill and similar arrangements. Furthermore, a number of helpful agreements affecting principal payments as well as interest, at least for a transitional period, have been reached during the year between important groups of long-term bondholders and various heavily indebted Governments suffering from the depression. It is only natural that negotiations for adapting to prevailing conditions the interest on external indebtedness should give rise to many difficult problems. Just as on the national markets the tendency to reduce rates has so far been really marked only with regard to assets offering the very best security and has but slowly penetrated to other obligations, so the valuation of risk in the international domain is a particularly intricate problem. In so

far as the risk element is reduced by governmental measures designed to improve political and commercial relations between various countries — and Lausanne in that respect set an example for the World Conference to follow — the negotiations between debtors and creditors will be greatly facilitated not only as regards interest charges, but also as regards such transitional attenuations in amortisation provisions as the situation of the debtor justifies and the self-advantage of the creditor, on the long view, in reality demands. In cases where the burden of existing indebtedness has been so aggravated by the present level of prices as to be incompatible with the equilibrium of the balance of payments, agreements should be concluded between debtors and creditors.

(b) Some Main Features of Currency Policy.

At the end of 1931 after the wave of monetary distrust had somewhat spent its force, a survey of the position would show that in Europe:

only about eight countries were still able to apply a free gold standard;
ten countries had openly suspended the gold standard, allowing the exchange rate to fluctuate widely outside the former gold points; and
the remaining countries had introduced exchange restrictions of a more or less complicated nature, these restrictions being in most cases part of a programme designed to maintain the exchange rates in the proximity of the legal parity.

During the following period no such sweeping changes took place. There still occurred isolated events of considerable importance, which, with the dramatic exception of the American bank holiday and gold export restrictions towards the close of the Bank's fiscal year, did not engender those wide repercussions characteristic of the previous period. The following chronological table records some of the main monetary events of the year under review in this report:

- 1932 April 19th — Chile suspended the gold standard.
„ 26th — Greece suspended the gold standard.
May 11th — Siam suspended the gold standard, and pegged the exchange rate to sterling.
„ 18th — Peru suspended the gold standard.
„ 18th — Rumania introduced foreign exchange regulations.
„ 27th — Persia introduced foreign exchange restrictions.
June 23rd — Austrian National Bank ceased to allocate foreign exchange required to fulfil obligations abroad.
„ 30th — Paraguay introduced foreign exchange regulations.
July 1st — New Zealand suspended its foreign exchange regulations.
„ 1st — Japan issued a decree to prevent flight of capital.
Aug. 18th — The legal cover of the Austrian National Bank was reduced from 24% to 20%.
Sept. 19th — The German Government, after agreement with the Board of the Bank, suspended for two years certain restrictions in the German bank law relating to the Reichsbank's discount policy.
Oct. 5th — The Statutes of the Bank of Danzig were made more elastic.
Dec. 28th — Union of South Africa suspended the gold standard.

- 1933 Jan. 20th — In New Zealand the premium of sterling was increased from 10 to 25 per cent.
- „ 31st — Denmark pegged its exchange at about 22½ kroner to sterling.
- Febr. 9th — The Statutes of the Bank Polski were amended, involving a reduction of the cover percentage.
- „ 17th — Signing in Berlin of the third Standstill agreement for German credits.
- „ 26th — Renewal of Austrian Standstill agreement.
- „ 28th — Yugoslavia made provisions for the official publication of the premiums ruling on foreign currencies.
- March 4th — Hungarian Standstill agreement renewed up to February 1, 1934.
- „ 6th — U. S. A. introduced an embargo on gold.
- „ 13th — U. S. A. introduced foreign exchange regulations.
- „ 23rd — Austria provided for daily quotations of the gold schilling applicable to payments in respect of contracts in gold or foreign currencies.

At the time of writing, the final outcome of the banking crisis, which came to a head in the U. S. A. during the first week of March 1933, cannot yet be discerned, particularly as regards its repercussions in the international monetary sphere. The immediate effect was to provoke a renewed conversion into gold of dollar balances held by Central Banks; but gold which had been earmarked for Central Banks and the Bank for International Settlements was not made subject to the export prohibition decreed on March 6, 1933. No longer supported by gold reserves, the dollar exchange was left to find its own level on foreign markets, thus adding to the currency uncertainty but at the same time making more imperative the efforts to formulate and put into effect a more clearly defined monetary policy throughout the world.

The attitude adopted by countries still applying a free gold standard without any restrictions, save those wisely inherent in the gold bullion standard, may be found expressed in the Annual Report of the Bank of France for 1932, in which this Bank reaffirmed its intention of adhering to the gold standard, adding the following observations:

“The short-term funds, which have been employed in France during the last few years, may in fact be attracted again to foreign markets, when these have recovered their equilibrium. This exodus should not provoke any disquietude if it marks the revival of international exchanges of goods and capital and so long as it is not accompanied by the precipitous action of speculation and distrust. The strength and extreme elasticity of the supporting structure of the franc indeed make it possible to envisage without apprehension an outflow of gold which would be due merely to the regular functioning of the gold standard régime.”

In the pursuit of such a policy some Central Banks have, however, found it both possible and useful to avoid redundant movements of the metal by the technique of gold-earmarking; the services of the Bank for International Settlements have in several instances been employed for that purpose. But no truth needs more emphasis than the fact that it is rational and necessary for gold to move from the large stocks to those centres insufficiently supplied, if the latter centres are to return to the free gold standard and if anything like normal international trade and international movements of capital are to resume. Central Banks should actively combat the popular fallacy to the effect that a “loss” of gold is necessarily deleterious to the national economy.

Countries which have introduced exchange restrictions have had to cope with the difficult problem of making control effective. In Germany, for instance, a black rate in

free Reichsmarks has been avoided; in fact it has been possible in the course of the year to give greater freedom to blocked balances without endangering the mark parity.

In a number of Danubian countries, however, another policy has gradually been adopted. Exchange restrictions have in various ways been so modified that the rate at which commercial transactions may ordinarily (or after the granting of licences for special cases) be carried out has been either the actual "economic" rate in the market or some other rate fixed below the legal parity. In these countries, where the system of foreign trade clearing has been more developed than elsewhere, the rates adopted for such clearings, originally the gold parity, have been gradually modified to correspond more closely to the actual market valuation. The responsible authorities have, in carrying out this new policy, been faced with a very difficult task, it being imperative to allow modifications only in so far as they were economically required and, at the same time, to avoid any sudden shock to confidence especially dangerous for the exchange position.

With regard to developments in countries which have suspended the gold standard and allowed the exchange rate to depreciate under the influence of the market, an important measure was taken in Great Britain by the introduction of the Exchange Equalisation Account, announced in the budget speech of April 19, 1932, and constituted as from June 24, of that year. This fund, which disposed of £ 150 million, made available chiefly in the form of Treasury bills (together with a further £ 25 million, the remaining balance of an earlier exchange account of the Government), was to be managed by the monetary authorities "in such a manner as they think best adapted for checking undue fluctuations in the exchange value of sterling". Although the Government floating debt was increased by the full nominal amount of the fund, the Treasury bills in fact remained in the dossier of the account until amounts had to be provided in sterling as a counterpart to purchases of foreign exchange. Conversely, when foreign exchange was sold by the fund, the counterpart obtained in sterling would be available to reimburse Treasury bills. While some major movements of the exchange have not been avoided, the operations of the fund have for shorter periods had the effect of maintaining a more stable relationship between sterling and gold currencies at the rates at which the Account bought and sold foreign exchange.

Some countries which have suspended the gold standard, like Portugal, Siam and members of the British Commonwealth (except Canada), have kept a definite link between their currency and sterling.

Among Northern European countries a strengthening of the position is noticeable in Finland, this country having continued the repayment of short-term liabilities. The Finnish mark, which had depreciated by about 50 per cent, in the autumn of 1931, has in recent months been appreciably stronger.

In Denmark, on the other hand, the Government, after negotiating with various political parties, decided at the end of January 1933 to allow a further depreciation of the exchange, which has since been linked to the pound at a rate of 22½ kroner, giving a sterling premium of about 25 per cent. Earlier in the same month a similar depreciation had been effected in the New Zealand pound (from 10 to 25 per cent sterling premium).

The possibility of effecting a deliberate depreciation of the currency has been considered in a number of other countries, which have naturally asked themselves what line of policy would be in their best interests. The Swedish Riksbank when dealing with this question in its Annual Report for 1932 emphasises that a policy of depreciation might, for Sweden, involve certain serious risks:

"Experience has shown that a fargoing depreciation of a country's currency has resulted in obstacles in the form of higher tariffs and quotas having been put in the way of a country's export. As to restrictions harmful to Sweden's export, reference may be made to the increase in the British tariff as well as to French quotas and the so-called surtax in France. Demands for protection against Swedish exports among others have also been put forward in other countries. The decline in the export from Sweden of, for instance, paper and pulp, which might be the result of new restrictions in the countries which import Swedish goods, must lead to a further curtailment of domestic production and increased unemployment."

This statement indicates the dangers of a policy of forced depreciation from the point of view of the interests of an individual country adopting such a policy. From a more general point of view there is no doubt that a "competition in depreciation" would still further disturb international commercial and financial relations, a development which in view of the forthcoming Monetary and Economic Conference would be particularly harmful at the present juncture. A convocation of the world conference at an early date should make it possible to find solutions by action in both the economic and financial fields.

IV. THE LAUSANNE AGREEMENT OF JULY 1932 AND THE BANK.

In the last Annual Report, reference was made to the Report of the Special Advisory Committee, referred to in Article 45 of the Bank's Statutes, which was convened by the Board of Directors of the Bank in December 1931 for the purpose of examining into the financial and economic position of Germany, in the manner stipulated by the Young Plan. This Committee is popularly referred to as the "Basle Committee". It invited the Governments to take concerted action, not only with respect to the German problem, which it then regarded as largely responsible for the growing financial paralysis of the world, but also to adjust all intergovernmental debts to the existing troubled situation of the world — "if new disasters are to be avoided".

International procedure moves slowly, even when speed is of the essence in stimulating economic recovery; and it was a round six months before the Governments met at Lausanne to deal with the German problem, whereas the connected question of the adjustment of other war debts is still under a tedious, tentative, and so far relatively barren discussion. But the fruits of Lausanne were unexpectedly rich. "The labours of the Conference", so the Final Act read, "were inspired by the principles laid down in the Report signed at Basle on December 23, 1931, of the Special Advisory Committee convoked by the Bank for International Settlements ..."

The Governments represented, that is to say, the Government of the German Reich and all those Creditor Governments entitled to reparations, thereupon solemnly declared:—

DECLARATION.

"The Powers signatory of the present Agreement have assembled at Lausanne to deal with one of the problems resulting from the war, with the firm intention of helping to create a new order, permitting the establishment and development of confidence between the nations in a mutual spirit of reconciliation, collaboration and justice.

They do not claim that the task accomplished at Lausanne, which will completely put an end to Reparations, can alone assure that peace which all the nations desire. But they hope that an achievement of such significance and so arduously attained will be understood and appreciated by all the pacific elements in Europe and the world, and that it will be followed by fresh achievements.

These further successes will be more readily won if the nations will rally to this new effort in the cause of real peace, which can only be complete if it is applied both in the economic and in the political sphere and rejects all possibility of resort to arms or to violence.

The signatory Powers will make every effort to resolve the problems which exist at the present moment or may arise subsequently in the spirit which has inspired the present Agreement."

This notable declaration, which was followed by provisions for the abrogation of substantially all of the so-called Hague Agreement of January 1930, not only marks the close of an historic epoch, but in the immediate sphere of the Bank's work has the effect of greatly altering its purposes and of permitting the institution to concentrate on those of its objects which are defined in Article 3 of its Statutes, as follows:—

"To promote the cooperation of central banks and to provide additional facilities for international financial operations; and to act as trustee or agent in regard to international financial settlements entrusted to it under agreements with the parties concerned."

The Lausanne Agreement specifically provided that Articles VI and X of the Hague Agreements relating to the Bank should continue to remain in full force and effect. These two articles in the pertinent part read as follows:—

Article VI.

"The Contracting Parties recognise the necessity . . . , of the constitution of the Bank for International Settlements. They recognise the corporate existence of the Bank to take effect as soon as it is constituted in accordance with the Statutes annexed to the law incorporating the Bank which is the subject of the Convention concluded with the Government of the Swiss Confederation.

Article X.

"The Contracting Parties will take in their respective territories the measures necessary for securing that the funds and investments of the Bank, resulting from the payments by Germany, shall be freed from all national or local fiscal charges.

The Bank, its property and assets, and also the deposits of other funds entrusted to it, on the territory of, or dependent on the administration of, the Parties shall be immune from any disabilities and from any restrictive measures such as censorship, requisition, seizure or confiscation, in time of peace or war, reprisals, prohibition or restriction of export of gold or currency and other similar interferences, restrictions or prohibitions."

The Lausanne Agreements proceeded to describe four special tasks for the Bank. First, the arrangements with respect to the former annuities to be carried out by the Bank during the transition period between the cessation of the application of the Hague Agreements and the coming into force of the Lausanne Treaty. Further details concerning these arrangements will be found in Chapter VI (a) below. In the second place, the Bank was to enter into mutual arrangements with the German Government for any necessary adaptation of the machinery relating to the manner in which the obligations of the German Government with respect to the German External Loan 1924 and with respect to the German International 5½% Loan of 1930 will be discharged, further details as to which will be found in Chapter VI (b) below. In the third place, the Bank was invited to nominate two persons to participate in the work of the Preparatory Commission of the World Economic and Financial Conference which the Lausanne Agreement decided to convene with a view to taking "the measures necessary to solve the other economic and financial difficulties which are responsible for and may prolong the present world crisis". References to this phase of the Bank's work appear in Chapter V below. Finally, by Article 1 of the Agreement with Germany, the Powers provided for the delivery by the German Government to the Bank for International Settlements of 5 per cent redeemable bonds to the amount of 3 milliard Reichsmarks gold, to be negotiated by the Bank for International Settlements if and when possible after three years from the signature of the Agreement, but under strict stipulated conditions which the Bank for International Settlements was to observe. The full text of the provisos concerning these bonds, their issue, negotiation, terms of negotiation, and provisions for their cancellation, if it prove impossible to negotiate them on the conditions stipulated, is set forth in Annex XVI to this Report. The President of the Lausanne Conference during the session invited the Bank for International Settlements to send a representative to Lausanne to examine the proposed Agreement and to declare whether the Bank was willing to accept the various functions envisaged for it by the draft text. The Bank was represented at the Lausanne Conference by its President, who accepted in behalf of the Bank the various functions assigned and herein summarized. This acceptance was formally confirmed by a Reso-

lution of the Board of Directors at its next meeting. The Lausanne Agreement has not yet come into full legal force, as no ratification has so far been effected by any of the parties thereto. In this connection, it is to be remembered that by a separate procès-verbal to which the German Reich was not a party, the Governments of Belgium, Great Britain, France and Italy stated that, in so far as they were concerned, "ratification will not be effected until a satisfactory settlement has been reached between them and their own creditors", failing which, they declared, a new situation will have arisen and all the Governments will have to consult together as to what should be done.

V. CENTRAL BANK COLLABORATION AND THE BANK'S CONNECTION WITH OTHER RECONSTRUCTION WORK.

The monetary convulsions of the liquidity crisis have again brought to the forefront a series of financial problems which intimately concern Central Bank activities. In many instances the problems that have arisen are essentially national in character, but it will generally be found that even when these problems appear to be primarily a domestic concern — for instance when they relate to the internal banking structure — repercussions set in which may be worldwide in their effects. And the main problem — the restoration of an international monetary standard functioning in a satisfactory manner — presupposes, in the opinion of all the responsible bodies which have dealt with the matter, that certain essential conditions in the international sphere shall be fulfilled. What these conditions are and how they may be fulfilled, whether by Governments or other authorities, has been a subject of examination by the Bank for International Settlements and its member Central Banks during the year under review.

Immediately after the General Meeting in May 1932 four papers, dealing with certain aspects of the problem, were read before an assembly of Governors and other representatives of Central Banks as follows:

Professor O. M. W. Sprague, Economic Adviser to the Bank of England:

"Statistical Data on Foreign Short-term Funds; their Collection and Use."

Dr. Victor Kienböck, President of the National Bank of Austria:

"The application of Foreign Exchange Restrictions and their Effect on General Economic Conditions."

Dr. L. J. A. Trip, President of the Nederlandsche Bank:

"Basic Problems which should be studied by the Bank for International Settlements in connection with the Reestablishment of Monetary Stability."

Professor Charles Rist, Hon. Vice-Governor of the Bank of France:

"The Movement of Prices and the Working of the Gold Standard."

A private exchange of views ensued on the subjects raised, particularly on those points which involved the future work of the Bank itself. Thus, for instance, it was suggested that more complete information should be compiled in the various markets regarding the volume, as well as the movements, of international short-term indebtedness; and that it would be highly desirable if the Bank for International Settlements could serve as a sort of international clearing house for such information to be supplied to it by individual Central Banks, the consolidated returns to be made available to Central Banks as an aid in the regulation of policy.

During the discussions which were started in connection with the General Meeting and continued at subsequent meetings of the Board, it became more and more evident that the time had come for the Bank for International Settlements briefly to indicate its own standpoint with regard to the much debated problem of the general restoration of the Gold Standard. On July 11, 1932, the Board of the Bank unanimously adopted and made public a resolution, which was widely commented upon throughout the world and which is here reproduced in full:

"1. The Board of the Bank for International Settlements, recognising the necessity of the reestablishment between nations of a monetary system with a common basis in order to facilitate international settlements under more stable and secure conditions, is unanimously of opinion that the gold standard remains the best available monetary mechanism and the one best suited to make possible the free flow of world trade and of international financing; it is desirable, therefore, to prepare all the necessary measures for the reestablishment of the functioning of the gold standard.

2. In order to render possible a general return to the gold standard, the Board thinks it first necessary that those measures should be taken by international collaboration and national efforts which will restore equilibrium in the economic and financial structure of the various countries.

3. The realisation of these measures depends in the first instance on Government action and, without that, is beyond the power of Central Banks. To enable the mechanism of the international balance of payments to work again in a satisfactory manner, it will be necessary to restore a reasonable degree of freedom in the movement of goods, services and capital; to complete the solution of reparations reached at Lausanne by a satisfactory solution of war debts; and to take the necessary steps in each individual country to restore and maintain equilibrium in the internal economy, not only as regards public revenue and expenditure, but also as regards the cost of production and organisation of the internal money and capital market.

4. Little or no progress can be expected in the monetary sphere, or towards the effective general restoration of the gold standard, as long as the main outstanding problems are not definitely dealt with by the Governments. As soon as sufficient progress is made in the settlement of these problems, concurrently with action on the interdependent economic problems, action in the monetary sphere can also begin. The Bank for International Settlements will be available to the Central Banks to serve as their common agency in the task of monetary reconstruction.

5. The Board further wishes to record that it has found itself in substantial agreement with the conclusions of the Report of the Gold Delegation of the League of Nations of June 1932, as adopted by the majority of its members. These conclusions form a starting point for the elaboration of monetary principles, which may be given practical application in the future."

All the events in the international monetary and financial field which have occurred since this Resolution was unanimously adopted ten months ago but reconfirm the principles and views therein expressed. The restoration of an international gold standard is indispensable and goes hand in hand with the resumption of normal economic relationships. Preparatory work looking to these ends was commenced at Lausanne and continued at Geneva at the two sessions of the Preparatory Commission for the Monetary and Economic Conference. It may also be noted that in their annual reports a number of Central Banks have expressed their approval of the gold resolution of July 11, 1932. The Bank of Italy observes, for instance, that the need of a return to a monetary system having a common basis has been taught by the bitter experience of a number of countries.

The Lausanne Conference of July 1932 did not limit itself to dealing with the reparation question, but also considered a series of "measures necessary to solve the other economic and financial difficulties, which are responsible for, and may prolong, the present crisis". It decided to provide for further consultations: on the one hand, the appointment of a committee entrusted with the duty of submitting to the Commission of Enquiry for the European Union proposals as to measures required for the restoration of the countries of Central and Eastern Europe; and on the other hand the convocation of a World Conference on monetary and economic questions and the preparation of that conference by an authoritative committee of experts.

The first committee, which included representatives from all Central and Eastern European countries, as well as from Belgium, France, Germany, Great Britain, Italy, the Netherlands and Switzerland, sat in conference at Stresa from 5th to 20th September, 1932. It dealt, particularly, with the problems involved in a gradual lifting of foreign exchange restrictions, examining the necessary conditions to be fulfilled both as regards internal budget equilibrium and the balance of payments to enable the various countries to reestablish a free currency market. In that connection it expressed the opinion that, when the countries concerned had applied the appropriate national measures and thus reached the threshold of a final adjustment, situations might arise in which even limited foreign assistance in currency matters would be found both necessary and expedient. The Stresa Conference consequently proposed the institution of a fund for the purpose of assisting at the opportune moment the normalisation and final regularisation of currencies in countries in Central and Eastern Europe. This proposal was further examined by a committee of experts which met at Geneva later in the autumn and which published a report, dated November 1, 1932, recommending, among other subjects, that the proposed Normalisation Fund be handled by the Bank for International Settlements.

The Lausanne Agreement provided for the association of the Bank with the preparations for the World Economic and Monetary Conference, the Bank being invited to nominate two persons to participate in the work of the Financial Sub-Committee of the Preparatory Commission, which it was decided to set up. After authorisation by the Board, I named Dr. L. J. A. Trip, President of the Nederlandsche Bank, and Mr. Leon Fraser, Alternate of the President of the Bank for International Settlements, as the delegates designated by the Bank. The full Preparatory Commission, at its first session, appointed Dr. Trip as its President. Professor Beneduce, one of the two Vice-Chairmen of the Board of the Bank for International Settlements, presided over the Financial Sub-Committee of the Commission. In addition, officials of the Bank formed part of the Secretariat.

These delegates communicated to their colleagues, as a contribution to the documentation, a series of notes which had been prepared by the Monetary and Economic Department of the Bank, on the subject of the gold and gold exchange standard, the abolition of foreign exchange restrictions, silver, and other topics relating to monetary and credit matters. These notes had the character of technical studies — the preparation of which is part of the regular work of the Monetary and Economic Department.

In the draft Annotated Agenda submitted by the Preparatory Commission of Experts, the subject of cooperation between Central Banks in credit policy was dealt with in the following paragraphs:

"The Conference will no doubt wish to emphasise the great importance to be attached to the maintenance of close relationship between Central Banks which will permit them to take account of both national and international considerations when framing their policy. While the responsibility of each one of them for the measures taken on their own markets must be left unimpaired, continuous consultations between them should help to coordinate the policy pursued in the various centres and may indeed enable the intervention of an individual Bank to become more effective if supported from abroad.

The Bank for International Settlements represents a new agency for Central Banks and should be able to play an increasingly important part, not only by improving contact, but also as an instrument for common action, of which several indications can be found in this document.

In this connection we draw the attention to Point 5 of the Resolution, which the Board of the Bank for International Settlements, at its meeting on 11th July, 1932, unanimously adopted. The Board declared itself in substantial agreement with the conclusions of the final report of the Gold Delegation of the League of Nations of June 1932. These conclusions were considered by the Board as forming a starting-point for the elaboration of monetary principles which may be given practical application in future.

We attach great importance to this declaration and to the pursuance of consultations among Central Banks, particularly with a view to achieving the object, as stated in the report of the Gold Delegation, of checking undue fluctuations in the purchasing power of gold. We are convinced, as were the Gold Delegation, that action must be based on international understanding and cooperation. The prospects of the general restoration of the gold standard and of its successful working in the future appear to depend in large measure on progress in this field."

A reproduction of the several references made in the Draft Annotated Agenda of the Commission to future tasks for the Bank will be found in Annex XV.

In addition to any special work connected with financial reconstruction, the Bank has during the year maintained and developed its contact with the various Central Banks. The regular meetings of the Board have, as before, furnished an opportunity for general and private discussions between the members of the Board and the staff of the Bank, as also for the review of current questions outside the more formal business agenda. International collaboration between Central Banks will in practice usually consist of action which is taken by each bank on its own market, but which is coordinated to fit in with the general policy determined by the main business trend. To arrive at a common interpretation of the manifold indications of economic tendencies as a basis for a coordinate policy, it is particularly important, in a period of such rapidly changing conditions as the present, that Central Banks should keep in constant touch with each other, so that new circumstances which occur may be given their full weight. During the past year the personal contacts at Basle and elsewhere have been most helpful. Progress has been made towards reaching that closer approximation of views on monetary matters without which no fruitful decisions in the monetary field may be expected.

The advice of the Bank was sought in the appointment of Monsieur Maurice Frère as Adviser to the Austrian National Bank, upon the resignation of Dr. G. W. J. Bruins. The disturbed monetary conditions which prevail at present have made it still more imperative for Central Banks to follow developments abroad. A number of other Central Banks have also added foreign advisers to their staff; amongst these are Mr. Henry J. Bruce at the National Bank of Hungary, Professor M. Köstner at the National Bank of Bulgaria, Mr. H. C. F. Finlayson at the National Bank of Greece, and Monsieur Roger Auboin at the National Bank of Rumania.

In a special field the Board of the Bank had to deal with an important question of Central Bank activity. Under the provisions of the Agreement with Germany signed at the Hague and giving effect to the New (Young) Plan, certain important articles of the Reichsbank Statutes (including Article 29) might be changed only if the Board of the Bank for International Settlements, upon consultation with the German Government, expressed no objection. Article 29, paragraph 3, of the Statutes laid down that the discount rate of the Bank might not be reduced below 5 per cent so long as the percentage reserve remained uninterruptedly below 40 per cent. This stipulation was considered to be an obstacle to the development of German monetary policy and in September 1932 the Minister of the Reich for Economic Affairs in a letter to the Bank for International Settlements requested the Board to approve the suspension of Article 29, paragraph 3, of the Reichsbank Law for a period of two years. By a resolution taken at its meeting on September 9, the Board decided that it did not object to the proposal of the German Government, which the same day suspended the application of the paragraph until September 30, 1934, and on September 22, 1932, the Reichsbank rate was reduced from 5 per cent to 4 per cent.

Finally it may be mentioned that under the terms of the Third German Standstill Agreement, signed in Berlin on February 17, 1933, the Bank for International Settlements again appointed as an Arbitration Committee, Messrs. Marcus Wallenberg (Chairman), T. H. McKittrick, Jr. (Vice-Chairman) and Franz Urbig; as well as Messrs. Carl Trygger, G. Tyser and Robert Pferdemenges as Alternates.

VI. TRUSTEE AND AGENCY FUNCTIONS OF THE BANK.

Article 3 of the Statutes of the Bank for International Settlements provides that one of the objects of the Bank is "to act as trustee or agent in regard to international financial settlements entrusted to it under agreements with the parties concerned".

Throughout its third fiscal year the Bank has continued to act as trustee or agent in connection with the international financial settlements and transactions described below:

(a) TRUSTEE FOR GOVERNMENT ANNUITY PAYMENTS.

THE ANNUITY PAYMENTS OF THE GERMAN REICH.

The German annuity, in accordance with the New Plan adopted at the Hague Conference of January 1930, was fixed for the year April 1, 1932—March 31, 1933 at an amount of 1,672.1 million reichsmarks, plus the cost of the service of the German External Loan 1924, of which 612 million reichsmarks, plus the cost of the service of the Loan, represented the non-postponable annuity and the balance of 1060.1 million reichsmarks represented the postponable annuity. The provisions of the New Plan in respect of this twelve months' period were, however, twice modified; first, by the terms of the London Protocol of August 11, 1931, which gave effect to the proposals known as the "Hoover moratorium" for the year ending June 30, 1932, and second, through the Lausanne Agreement of July 9, 1932, which deals with the period from July 1, 1932, onward.

Germany's annuity payments during the first three months of the year under review, namely April 1—June 30, 1932, were therefore governed by the terms of the London Protocol of August 11, 1931, which provided, *inter alia*, that

- 1) The existing provisions for the service of the German External Loan 1924 and the German Government International $5\frac{1}{2}\%$ Loan 1930 shall remain unaltered and unaffected and the service of the said Loans shall continue to be effected punctually and duly in conformity with the provisions of the respective General Bonds and other agreements securing them.
- 2) The German Government shall continue, during the year July 1, 1931—June 30, 1932, to pay to the Bank the non-postponable annuity in equal monthly instalments, in foreign currencies.
- 3) Out of the amount thus paid, the Bank shall make the normal provision for the two-thirds part of the service* of the German Government International $5\frac{1}{2}\%$ Loan 1930 which is chargeable on the non-postponable annuity and shall turn over the balance to the German Railway Company by way of a loan expressed in foreign currencies subject to certain express terms and conditions.
- 4) The payment of the postponable annuity in respect of the year July 1, 1931 to June 30, 1932 shall be suspended. Provision is also made for the subsequent repayment of the amounts thus suspended.

* The remaining one-third is paid by the German Government direct to the Trustee for the Loan, see p. 34 et seq.

During the three months, April 1—June 30, 1932, therefore, the Bank, in conformity with the provisions of the New Plan, as modified by the London Protocol of August 11, 1931, received from Germany

| | |
|---|---------------|
| a) Amount required for three months' service of the German External | Reichsmarks |
| Loan 1924 | 18,500,238.44 |
| b) Three monthly payments at the rate of R. M. 612,000,000 annually | 153,000,000.— |

As from July 1, 1932, Germany's payments are regulated by the decisions of the Lausanne Conference. On June 16, 1932, at the opening of the Conference, the representatives of the principal creditor Governments proposed and subsequently the representatives of the remaining creditor Governments expressed their adherence to a Declaration which contained the following paragraphs dealing with, inter alia, Germany's annuity payments:

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"Noting that certain payments of reparations and war debts will fall due as from the 1st July next;

"Are of opinion, in order to permit the work of the Conference to proceed undisturbed, that, without prejudice to the solution which may ultimately be reached, the execution of the payments due to the Powers participating in the Conference in respect of reparations and war debts should be reserved during the period of the Conference, which the undersigned Governments intend should complete its work in the shortest possible time.

"It is understood that the service of market loans will not be affected by these decisions."

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The Lausanne Agreement, which was signed on July 9, 1932, provided that, upon coming into force, it "will put to an end and be substituted for the reparation régime provided for in the agreement with Germany, signed at The Hague on the 20th January, 1930, and the agreements signed at London on the 11th August, 1931, and at Berlin on the 6th June, 1932; the obligations resulting from the present Agreement will completely replace the former obligations of Germany comprised in the annuities of the 'New Plan'." The Lausanne Agreement has not, at the date of issue of this Report, been ratified by any of the interested parties.

The interim period between the date of signature and of the ratification of the Lausanne Agreement is covered by the Transitional Measures contained in Part II of the Agreement, Article 1 of which provides as follows:

"As from today's date the effects of the Declaration of 16th June 1932 * will be prolonged as regards the payments due by Germany under the Hague Agreement of the 20th January, 1930, the London Protocol of the 11th August, 1931, and the Berlin Protocol of the 6th June, 1932.

"This prolongation will terminate on the coming into force of the Agreement with Germany signed today at Lausanne, or, failing this, on any one of the Governments of the following countries, Germany, Belgium, United Kingdom, France, Italy and Japan, notifying the Governments concerned that it has decided not to ratify."

* quoted above.

During the nine months' period, July 1, 1932—March 31, 1933, therefore, the Bank, in conformity with the provisions of the New Plan, as modified by these terms of the Lausanne Agreement, received from Germany only the amounts required for "the service of market loans", namely

| | Reichsmarks |
|--|---------------|
| a) Amount required for nine months' service of the German External Loan 1924 | 52,908,649.38 |
| b) Two-thirds of the amount required for nine months' service of the German Government International 5½% Loan 1930 | 48,290,146.23 |

During the year under review, April 1, 1932—March 31, 1933, the aggregate amount received from Germany was

| | Reichsmarks |
|--|----------------|
| a) Amount required for twelve months' service of the German External Loan 1924 | 71,408,887.82 |
| b) Three monthly payments (April—June 1932) at the rate of R. M. 612,000,000.— annually | 153,000,000.— |
| less | |
| Part thereof required for the service of the German Government International 5½% Loan 1930, included in (c) below | 16,127,958.89 |
| | 136,872,041.11 |
| c) Two-thirds of the amount required for twelve months' service of the German Government International 5½% Loan 1930 | 64,418,105.12 |

The amounts received in respect of the service of the German External Loan 1924 and the German Government International 5½% Loan 1930 were transferred immediately upon receipt to the Trustees of the respective Loans, whilst the remaining amounts were disbursed for the account of the various creditor Governments in accordance with their directions. The details of the operations of the Bank in respect of the German annuity during the period April 1, 1932—March 31, 1933, including the payments for the account of the various creditor Governments, are set forth in full in Annex V, in the form approved and certified by the auditors.

The postponable annuities payable by Germany under the New Plan included quotas reserved for financing programmes for deliveries in kind for the account of the respective creditor Governments. As a result, however, of the provisions of the London Protocol of August 11, 1931 and the Lausanne Agreement of July 9, 1932, the postponable annuities and consequently the deliveries in kind quotas included therein, have not been payable since June 30, 1931. The unexpended balances in hand on that date, which were reserved for payments for deliveries in kind, amounted to 119.5 million reichsmarks and these have been employed for continuing the execution, as far as possible, of the existing approved contracts, so that such balances had been reduced to 23.2 million reichsmarks on March 31, 1932 and 0.6 million reichsmarks by March 31, 1933. In addition, the French and German Governments at the time of the Lausanne Agreement, arrived at a separate agreement for the completion of certain contracts for public works in France which could not be financed out of the unexpended deliveries in kind balances available to the French Government. The total value of these contracts is estimated at about 82 million reichsmarks and as the French and German Governments are mutually interested in their completion

they have agreed to share in the provision of the necessary financing. Payments to German producers under these contracts are made through the Bank for International Settlements as banker and not in its capacity as Trustee of the creditor Governments; they are not, therefore, included in the statement shown as Annex V.

THE ANNUITY PAYMENTS OF HUNGARY.

The annuity payments to be effected by Hungary in settlement of the charges incumbent on her by virtue of the Treaty of Trianon and Agreements supplementary thereto were finally fixed by the Paris Agreement of April 28, 1930. During the period April 1, 1932—March 31, 1933, they were to have amounted in total to 9,000,000 gold crowns, payable in two equal instalments on June 30 and December 31, 1932, to the Bank for International Settlements, Trustee, for distribution among the interested creditor Governments, in accordance with the terms of the Trust Agreement between the Bank and those Governments which came into force on May 6, 1931.

As regards the amount payable on June 30, 1932, however, the provisions of the Paris Agreement were modified by the terms of the London Protocol of January 21, 1932, which dealt with the application to Hungary's annuity payments of the proposals known as the "Hoover moratorium" in respect of the year to June 30, 1932 (inclusive). The London Protocol provided, inter alia, that for the period from July 1, 1931 to June 30, 1932 (both inclusive) payment of the annuity should be suspended except as to 7.27 per cent thereof, representing the shares of Belgium, the British Empire, France, Italy, Japan and Portugal. The shares of these Governments were assigned, by the Paris Agreement of April 28, 1930, to the Agrarian Fund which was created for the purpose of dealing with the settlement of claims, based on Article 250 of the Treaty of Trianon, submitted by Hungarian nationals against the Governments of Rumania, Czechoslovakia and Jugoslavia, and arising out of the application of the agrarian reform legislation in those countries.

Pursuant to the terms of the Paris Agreement of April 28, 1930, as modified by the London Protocol of January 21, 1932, the Bank therefore received from Hungary on June 30, 1932, the amount of pengö 380,182.69, being the equivalent of gold crowns 327,150. This amount of pengö 380,182.69 has not been converted into foreign currencies, because the President of the Hungarian National Bank has exercised his right, referred to in Article 4 of the Trust Agreement, to postpone conversion if, in his opinion, such postponement is necessary in order to avoid depreciation of the Hungarian currency.

The Lausanne Agreement of July 1932, Part III, provided in connection with all non-German reparations, that the signatory Governments

"Animated by the same spirit as inspired the Declaration signed on the 16th June* by the Five Inviting Creditor Powers,

"Are agreed and recommend to the Conference that a Committee consisting of one representative of each of the Governments concerned shall be set up to consider the group of questions known as 'non-German reparations' and cognate questions viewing them within the framework of a general settlement,

* quoted on page 28.

"Are of opinion that, in order to permit the work of the said Committee to proceed undisturbed, without prejudice to any question of principle or to the solutions which may ultimately be reached, the execution of the payments due in respect of the above-mentioned questions should be reserved until the 15th December next failing a settlement before that date."

The Committee which was thus recommended has not yet been set up and the interested Governments have agreed that the reservation of the execution of payments up to December 15, 1932, shall be extended until June 15, 1933. The Hungarian Government did not, therefore, effect any payment on December 31, 1932.

It was noted in my Report for the year to March 31, 1932, that the annuity payment by Hungary effected in pengö on December 31, 1931, and converted to dollars on January 5, 1932, could not be immediately transferred to the Agrarian Fund. The Trust Agreement between the Bank for International Settlements, Trustee, and the creditor Governments contains directions for the distribution among the creditor Governments of amounts received in respect of the Hungarian annuity. This general distribution was modified by the terms of the London Protocol of January 21, 1932, but the Protocol was not signed by all of the creditor Governments. The Trustee, therefore, could not dispose of the December 31, 1931, annuity payment prior to the receipt of adequate protection against any claims that might be made under the terms of the Trust Agreement by those Governments which have not signed the Protocol. The creditor Governments concerned subsequently gave their consent to the transfer to the Agrarian Fund and it was effected on July 14, 1932.

The details of the operations of the Bank in respect of the Hungarian annuity during the period January 1—December 31, 1932, including the payments for the account of the various creditor Governments, are set forth in full in Annex VI, in the form approved and certified by the auditors.

THE ANNUITY PAYMENTS OF BULGARIA.

The annuity payments to be effected by Bulgaria in settlement of her obligations arising out of the Treaty of Neuilly were finally fixed by the Hague Agreement of January 20, 1930. During the period April 1, 1932 — March 31, 1933, they were to have amounted in total to 10,000,000 gold francs, payable in two equal instalments on September 30, 1932, and March 31, 1933, to the Bank for International Settlements, Trustee, for distribution among the interested creditor Governments in accordance with the terms of the Trust Agreement between the Bank and those Governments, which came into force on April 28, 1931.

The execution of the payments due on September 30, 1932 and March 31, 1933, in accordance with the Hague Agreement, was, however, reserved pursuant to the terms of Part III of the Lausanne Agreement* which were subsequently prolonged, until June 15, 1933, by agreement between the interested Governments.

During the year April 1, 1932—March 31, 1933, the Bank has, therefore, received no payment from Bulgaria.

* quoted above and on the preceding page.

The Bulgarian annuity payment of March 31, 1932, could not be immediately distributed by the Trustee, in accordance with the terms of the London Protocol of January 21, 1932, for the same reason as that which delayed the transfer to the Agrarian Fund of the Hungarian annuity payment of December 31, 1931 (described in the section dealing with the annuity payments of Hungary). The Trustee subsequently received satisfactory protection against any claims which might arise under the provisions of the Trust Agreement and was thereby enabled to effect the distribution.

The details of the operations of the Bank in respect of the Bulgarian annuity during the period April 1, 1932—March 31, 1933, including the payments to or for the account of the various creditor Governments, are set forth in full in Annex VII, in the form approved and certified by the auditors.

THE ANNUITY PAYMENTS OF CZECHOSLOVAKIA.

The annuity payments to be effected by Czechoslovakia in settlement of her liberation obligations undertaken by an Agreement, dated September 10, 1919, were finally fixed by the Hague Agreement of January 20, 1930. During the period April 1, 1932 — March 31, 1933, they were to have amounted in total to 10,000,000 gold marks, payable in two equal instalments on July 1, 1932 and January 1, 1933, to the Bank for International Settlements, Trustee, for distribution among the interested creditor Governments in accordance with the terms of the Trust Agreement between the Bank and those Governments which came into force on August 1, 1931.

The execution of the payments due on July 1, 1932 and January 1, 1933, in accordance with the Hague Agreement, was, however, reserved pursuant to the terms of Part III of the Lausanne Agreement* which were subsequently prolonged, until June 15, 1933, by agreement between the interested Governments.

During the year April 1, 1932—March 31, 1933, the Bank has, therefore, received no payment from Czechoslovakia.

(b) TRUSTEE OR AGENT FOR GOVERNMENT INTERNATIONAL LOANS.

THE GERMAN EXTERNAL LOAN 1924.

The German External Loan 1924 was issued for the purposes of the Plan embodied in the Report, dated April 9, 1924, of the First Committee of Experts appointed by the Reparation Commission to "consider the means of balancing the budget and the measures to be taken to stabilise the currency of Germany".

The Loan was issued in dollars, sterling, lire, Swedish crowns and Swiss francs in a nominal amount equivalent, at the par of exchange, to approximately 967 million reichsmarks, and the nominal amount of the Loan outstanding as at March 31, 1933, was the equivalent, also at par, of 692.8 million reichsmarks. The Bank for International Settlements was appointed fiscal agent of the Trustees of the Loan in May 1930, at the time of the inauguration of the bank.

* quoted on pages 30 and 31.

The service of the German External Loan 1924, by the terms of the General Bond securing the Loan, was a direct and unconditional obligation of the German Reich, chargeable on all its present and future assets and revenues. The amounts required for the service of the Loan were further secured by a first charge on all payments to be effected by Germany pursuant to the provisions of the Experts' Plan and enjoy as collateral security, a specific first charge on the gross revenues of the German Government from the customs and from the taxes on tobacco, beer and sugar and from the net revenue of the German Government from the spirits monopoly and also on such other taxes as may hereafter be specifically assigned by the German Government for the purposes of securing the German budgetary contributions in accordance with the Experts' Plan.

When the New Plan was adopted at the Hague Conference in January 1930, the German Government and the Governments of the other Signatory Powers confirmed all the priorities, securities and rights hitherto created for the benefit of the German External Loan 1924 and declared that nothing in the New Plan or in consequence of the termination of the Experts' Plan diminished or varied the nature and extent of the German Government's prior obligations and engagements assumed under the General Bond securing said Loan, all of which were preserved in their integrity.

The London Protocol of August 11, 1931, which varied the provisions of the New Plan in giving effect to the proposals known as the "Hoover moratorium" in respect of the year to June 30, 1932, also referred to the position of the Loan, in the following terms: "Nothing in the present Protocol shall in any way alter or affect the existing provisions for the service of the German External Loan 1924 ..."

The Lausanne Agreement of July 9, 1932, when it comes into force, will put to an end and be substituted for the reparation régime provided for in the New Plan and as a result of the Transitional Measures* contained in Part II of the Agreement the execution of Germany's payments in respect of reparations is reserved as from July 1, 1932. The Agreement provides in Article 7 that "The Signatory Governments declare that nothing in the present Agreement diminishes or varies or shall be deemed to diminish or vary the rights of the bondholders of the German External Loan 1924, or of the German Government International 5½ per cent Loan 1930. Any necessary adaptation of the machinery relating to the manner in which the obligations of the German Government with respect to the German External Loan 1924, and with respect to the German Government International 5½ per cent Loan 1930, will be discharged, will be subject to mutual arrangement between the German Government, on the one hand, and the Bank for International Settlements, Fiscal Agent of the Trustees of the German External Loan 1924, and Trustee of the German Government International 5½ per cent Loan 1930, on the other hand".

As invited by Article 7 of the Lausanne Agreement, the Bank, as Fiscal Agent of the Trustees of the Loan, has entered into negotiations with the German Government with a view to the necessary adaptation of the machinery relating to the manner in which the obligations of the latter with respect to the German External Loan, 1924, will be discharged.

During the year now under review and, indeed, since its appointment as Fiscal Agent of the Trustees for the German External Loan 1924, the Bank has regularly and punctually received and distributed the monthly payments required for this Loan, in full conformity

* quoted on page 28.

with the terms of the General Bond and other agreements securing it. A Statement of Receipts and Payments in respect of the Loan, as certified by the auditors, for the last completed Loan year to October 15, 1932, is appended as Annexes VIIIa and VIIIb. In order to show the position of the Loan to the last interest coupon due date, there is also appended, as Annex IX, an Interim Statement of Receipts and Payments for the half year to April 15, 1933. This Interim Statement has not been audited, but the period covered thereby will be included in the Statement that will later be certified by the auditors, in respect of the complete Loan year to October 15, 1933. In addition, the funds relating to this Loan which were deposited in the name of the Trustees, as at March 31, 1933, are shown in Annex XIV.

GERMAN GOVERNMENT INTERNATIONAL 5½% LOAN 1930.

One of the essential features of the New Plan of 1930, which modified Germany's obligations in respect of reparations as contained in the Experts' Plan of 1924, was a provision for the commercialisation of the non-postponable annuities payable by Germany under the New Plan, and two-thirds of the total issue of the German Government International 5½% Loan 1930, was a first mobilisation of a part of those annuities.

The Loan was issued in reichsmarks, dollars, belgas, French francs, sterling, florins, lire, Swedish crowns and Swiss francs in a nominal amount equivalent, at the par of exchange, to approximately 351 million dollars and the nominal amount of the Loan outstanding, as at March 31, 1933, was the equivalent, also at par, of 330.3 million dollars. The Bank for International Settlements was appointed in June 1930 to receive and distribute the proceeds of the Loan on behalf of the Creditor Governments and to act as Trustee for the bondholders.

The service of the German Government International 5½% Loan 1930 is a direct and unconditional obligation of the German Reich and two-thirds of its amount was provided out of the non-postponable annuities payable by Germany under the New Plan of 1930. In respect of those annuities the German Government constituted as collateral guarantee a special tax payable by the German Railway Company and undertook, subject to the charge securing the German External Loan 1924, to reserve free from any charge securing any loan or credit in priority to, or *pari passu* with, the said annuities, the proceeds of the customs, the tobacco taxes, the beer tax and the tax on spirits.

The London Protocol of August 11, 1931, which varied the provisions of the New Plan in giving effect to the proposals known as the "Hoover moratorium" in respect of the year to June 30, 1932, provided that "the service of the German Government International 5½% Loan 1930, shall continue to be effected punctually and duly in conformity with the provisions of the general bond and other agreements securing the said Loan".

The Lausanne Agreement of July 9, 1932, when it comes into force, will put to an end and be substituted for the reparation régime provided for in the New Plan and as a result of the Transitional Measures* contained in Part II of the Agreement the execution of Germany's payments in respect of reparations is reserved as from July 1, 1932. The Agreement provides in Article 7** that nothing in the Agreement shall diminish or vary the rights of the bondholders of the German Government International 5½% Loan 1930.

* quoted on page 28.

** quoted on page 33.

The payment by Germany of the non-postponable and postponable annuities has been suspended as from July 1, 1932 in accordance with Part II of the Lausanne Agreement and upon the coming into force of that Agreement, the payment of these annuities will terminate. With the cessation of the payment of the non-postponable annuity, two-thirds of the service of the Loan can no longer be provided therefrom and as invited by Article 7 of the Lausanne Agreement, the Bank, as Trustee, has entered into negotiations with the German Government with a view to the necessary adaptation of the machinery relating to the manner in which the obligations of the latter with respect to the German Government International 5½% Loan, 1930, will be discharged.

Pursuant to the provisions of Article VI of the General Bond securing this Loan, bondholders are entitled to be paid in respect of the principal and interest of each bond as nearly as possible the same gold value, at the due date, in the currency of the country where the bonds were issued, as the amount of the face value of the bond or coupon had at the date of the issue of the Loan, or the equivalent thereof in the local currency on any foreign market where any of the bonds are quoted. These provisions have been operative in the case of the British and Swedish issues of the Loan since the pound sterling and the Swedish crown departed from the gold standard in September 1931. Their effect in connection with the payment of the coupons of those issues, dated June 1 and December 1, 1932, was that in the case of the British issue, instead of the face value of £2.15.— per unit of £100, there was paid £3.12.11 and £4.3.— for the June 1 and December 1 coupons, respectively, and in the case of the Swedish issue, instead of the face value of 27.50 crowns per unit of 1,000 crowns, there was paid 39.05 crowns and 41.80 crowns for the June 1 and December 1 coupons, respectively.

During the year now under review, and, indeed, since its appointment as Trustee at the time of the issue of the Loan, the Bank has regularly and punctually received and distributed all the payments required for the service of this Loan, in full conformity with the terms of the General Bond and other agreements relating to the Loan. A Statement of Receipts and Payments in respect of the Loan, as certified by the auditors, for the last completed Loan year to June 1, 1932, is appended as Annexes Xa and Xb. In order to show the position of the Loan to the last interest coupon due date, there is also appended, as Annex XI, an Interim Statement of Receipts and Payments for the half year to December 1, 1932. This Interim Statement has not been audited, but the period covered thereby will be included in the Statement that will later be certified by the auditors in respect of the complete Loan year to June 1, 1933. In addition, the funds relating to this Loan which were deposited in the name of the Trustee, as at March 31, 1933, are shown in Annex XIV.

AUSTRIAN GOVERNMENT INTERNATIONAL LOAN 1930.

The Austrian Government, in March 1930, took power to raise loans not exceeding, in net proceeds, 725 million Austrian schillings, "for productive construction of the railways and the postal and telegraph administration". These loans were approved by the "Committee of Control of the Guaranteeing Governments" (in connection with the Austrian Government Guaranteed Loan of 1923) and the revenues and other assets charged or to be charged in respect of them were released, to the extent necessary, from the prior charge in favour of the Relief Bonds issued in 1919, 1920 and 1921 to nine Governments in respect of credits granted by them to the Austrian Government for the acquisition of foodstuffs and raw materials and for the repatriation of Austrian prisoners of war.

The Austrian Government International Loan 1930 represents a part issue of the authorised total of 725 million Austrian schillings, net proceeds. The Loan was issued in dollars, sterling, lire, Swedish crowns, Swiss francs and schillings in a nominal amount equivalent, at the par of exchange, to approximately 439 million schillings, and the nominal amount of the Loan outstanding as at March 31, 1933, was the equivalent, also at par, of 418.8 million schillings. The Bank for International Settlements was appointed Trustee for the Loan at the time of its issue in July 1930.

The service of the Loan is a direct and unconditional obligation of the Austrian Government and, subject only to the prior charges in respect of the Austrian Government Guaranteed Loan 1923—1943 and the Czecho-Slovakian Conversion Loan, it has a first charge upon the gross receipts of the customs and of the tobacco monopoly of the Government and such other specific revenues and/or assets as may from time to time be made additional security for the service of the Loan of 1923 or for the service of the Czecho-Slovakian Loan.

The machinery for giving effect to the charge is as follows. The receipts in each month from the charged revenues, after they have satisfied the requirements for that month of the prior charges in favour of the Austrian Government Guaranteed Loan of 1923 and the Czecho-Slovakian Conversion Loan, are paid into a special Austrian schilling account in the name of the Bank for International Settlements, Trustee, with the Austrian National Bank. The service of the Loan is payable to the Trustee in monthly instalments in advance and as soon as the credit in the special schilling account amounts to the equivalent of the foreign currencies necessary for the service of the Loan, such foreign currencies are acquired by the Austrian National Bank and credited to a special foreign currency account in the name of the Bank for International Settlements, Trustee, where they remain until applied to the service of the Loan on the first day of the following month. After the necessary foreign currencies have been credited to the special foreign currency account and until the end of the current month, the revenues continue to be paid into the special schilling account but are immediately released to the Austrian Government.

This procedure was regularly followed up to and including the provision of the service instalment due on June 1, 1932, which completed the service of the Loan in respect of the Loan year to July 1, 1932. The coupon due on July 1, 1932, was paid in regular course and the sinking fund contribution for the year to that date was expended in the purchase of bonds on the market or, in the case of the Swedish issue, was in hand and available to redeem bonds drawn for redemption on January 1, 1933. Commencing with the month of June 1932, however, the Austrian Government stated that in view of the economic situation of the country it was compelled to interrupt the machinery of payment into the special schilling account of the Trustee, at the Austrian National Bank, of the whole remainder of the proceeds of the charged revenues which is payable to the Trustee's account after satisfying the prior charge thereon in favour of the Austrian Government Guaranteed Loan 1923—1943 and the Czecho-Slovakian Conversion Loan. The purpose and effect of this step was the suspension, as from July 1, 1932, of the monthly transfers to the Trustee of the foreign currencies required for the service of the Loan.

The Trustee protested to the Austrian Government against this breach of the provisions of the General Bond securing the Loan and on August 2, 1932, made the whole of the facts public through a communiqué to the press.

In respect of the service instalment due on July 1, 1932, and of each subsequent monthly instalment up to the date of submission of this Report, the Austrian Government has paid into an account at the Austrian National Bank in the name of the Staatszentral-kasse, but blocked in favour of the Bank for International Settlements, Trustee, a sum in schillings equivalent, at the National Bank's official exchange rates, to the amounts in the various foreign currencies which should have been transferred. The amounts required in schillings for the service of the Austrian issue of the Loan have been paid to the Trustee in regular course and the part thereof applicable to the sinking fund has been currently expended in the redemption of bonds through market purchases.

On December 28, 1932, the Austrian Government notified the Trustee of its intention to furnish the foreign currencies necessary to meet the coupon of the Loan dated January 1, 1933, provided that the Geneva Protocol of July 15, 1932 (which deals with a new loan to Austria) came into force before the end of the year in accordance with its terms (as in fact it did). The foreign currencies were duly furnished and the January 1, 1933, coupon was paid in regular course. The coupon of the Austrian issue of the Loan was paid in schillings in the amount of the face value of the coupon from the schillings already available in the hands of the Trustee accumulated out of the regular monthly service instalments.

With regard to the sinking fund instalments in respect of the foreign issues of the Loan, the Austrian Government has advised the Trustee that it has effected market purchases of bonds of a face value equivalent to the amount of the sinking fund contribution, in respect of the six months to January 1, 1933, for the dollar, sterling and Swiss franc issues and to the extent of about three-quarters of the contribution for the lire issue. For the balance of the sinking fund contribution for the lire issue and for the whole of the contribution for the Swedish crown issue, in respect of the period in question, the Austrian Government has stated that it has set aside the necessary sums in lire and Swedish crowns, respectively.

A Statement of Receipts and Payments in respect of the Austrian Government International Loan 1930, as certified by the auditors, for the last completed Loan year to June 30, 1932, is appended as Annexes XIIa and XIIb. In order to show the position of the Loan to the last interest coupon due date, there is also appended as Annex XIII an Interim Statement of Receipts and Payments for the period from July 1, 1932 to January 3, 1933. This Interim Statement has not been audited, but the period covered thereby will be included in the Statement that will later be certified by the auditors in respect of the complete Loan year to June 30, 1933. In addition, the funds relating to this Loan which were deposited, in the name of the Trustee, as at March 31, 1933, are shown in Annex XIV.

VII. DEPOSITS AND INVESTMENTS; SHARE CAPITAL; NET PROFITS; CHANGES IN BOARD OF DIRECTORS.

DEPOSITS AND INVESTMENTS.

The continuous shrinkage in world trade and the concomitant curtailment of international financial transactions have not been without their effect on the business of the Bank. The general development is reflected in a decline of the total of the balance sheet from 1,126 million Swiss francs on March 31, 1932, to 941 million Swiss francs on March 31, 1933. This last figure is, however, somewhat above the lowest point of the year, October 31, 1932, when the total fell to 910 million Swiss francs. The detailed balance sheet as of March 31, 1933, is reproduced in Annex III.

The decline during the year is partly due to the practical disappearance of Central Bank deposits for Treasury account (which dropped from 68 million Swiss francs to 13 million Swiss francs) in consequence of the interruption of Government payments by the Hoover moratorium and the Lausanne Conference. Deposits of Central Banks for their own account have fallen from 608 million Swiss francs on March 31, 1932, to 452 million Swiss francs on March 31, 1933. The provisions of Article 21 of the Statutes, to the effect that the operations of the Bank for its own account shall only be carried out in currencies which in the opinion of the Board satisfy the practical requirements of the gold or gold exchange standard, have, in existing circumstances, greatly curtailed the volume of Central Bank funds eligible for deposit with us although they did reach a high level of 666 million Swiss francs in May 1932. Rapid oscillations have taken place during the fiscal period, usually concurrently with new elements of disturbance in the monetary field which culminated just prior to the declaration of the bank holiday in the United States. It was but natural that in a period of monetary uncertainty Central Banks should feel less able to employ the system of holding foreign exchange, to which they habitually had recourse before the War as a supplement to their other monetary resources; and it was inevitable that the great reduction in their holdings of foreign exchange should reflect itself in their deposits with their common depository.

In conformity with the provision in Article 26 of the Statutes that "the Bank shall be administered with particular regard to maintaining its liquidity" the investment policy has been directed towards assuring the ready availability of the funds entrusted to the Bank. The Bank's assets have been so maintained that throughout the whole fiscal period about 60 per cent and as at March 31, 1933, 63.4 per cent were available on demand whereas at the latter date the sight commitments amounted to only 28.8 per cent of the total. This liquid position is partly attributable to the rediscounting facilities which have been obtained by agreements concluded with the various Central Banks.

Assets not available on demand include the Bank's participations in the monetary credits which were granted in 1931 to the Central Banks in Germany, Austria, Hungary and Yugoslavia, originally amounting in the aggregate to the equivalent of 740 million Swiss francs, of which 211 millions were contributed by the Bank itself. By March 31, 1932, these credits had already been reduced to 654 million Swiss francs, and the Bank's participation therein to 185 million Swiss francs and as at March 31, 1933 these amounts were 539 millions and 169 millions, respectively. In conjunction with these reductions the interest rates charged on the portions still outstanding were successively lowered. In April the Reichsbank repaid in full the balance, in an amount of \$ 70,000,000, outstanding on the credit of \$ 100,000,000 originally granted June 26, 1931, in equal shares by the

Banque de France, the Bank of England, the Federal Reserve Bank of New York and the Bank for International Settlements. The Bank's participation in Central Bank credits was thereby reduced to the equivalent of 80 million Swiss francs.

In order to safeguard itself against undue exchange risks, the Bank has continued the policy inaugurated last year of balancing, as far as practicable, its assets and liabilities in given currencies. When special credits have been granted, as also in many other instances, investments by the Bank have been protected with special guarantees for repayment in mutually agreed fixed gold values.

Out of the total of sight and short-term deposits held by the Bank on March 31, 1933, 45.8 per cent had been effected in dollars, 32.6 per cent in French francs, and the remainder in various other currencies. The whole of these short-term and sight commitments are more than covered by immediately available assets either in the currency of the commitment or in currencies free from exchange restrictions. Of the long-term deposits held, 77 per cent, representing the balance of the Annuity Trust Account as shown in Annex V, and the German Government deposit, are expressed in reichsmarks, and 23 per cent in dollars. The offsetting assets included our holdings in Germany, which in addition to the Bank for International Settlements' share of \$ 17,500,000 in the Reichsbank credit then outstanding, represented 31 per cent of the total investments. The participations in the monetary credits to the Central Banks in Austria, Hungary and Yugoslavia, together with other investments on their markets, amounted to a total of 83 million Swiss francs (1932: 85 million Swiss francs). Of the total of our investments, 85 per cent (1932: 86 per cent) were placed with Central Banks, 11 per cent (1932: 11 per cent) with banking institutions selected by Central Banks, and the remainder, 4 per cent (1932: 3 per cent) with or through institutions selected by us with the knowledge of the interested Central Banks. All investments are regularly made through the intermediary of the Central Banks concerned, which are thus aware of all operations on their markets.

During the fiscal year the Bank has carried out an increasing number of transactions of various kinds in connection with gold for account of Central Banks, has given advances on gold in transit as well as on currency notes in transit, has held gold for Central Banks under earmark in its own name, and has bought, sold and transferred the metal more actively than in previous years. The total value of gold held under earmark in the name of the Bank for the account of Central Banks at the time of submission of this Report was approximately 198.8 million Swiss francs.

This development of transactions in gold results from the decrease in Central Bank holdings of short-term foreign assets. Central Banks have, on the one hand, been inclined to convert foreign exchange acquired by them into gold more rapidly than was the case previously; on the other hand, the decline or disappearance of the foreign exchange holdings have compelled them to have more frequent recourse to gold movements for the necessary adjustments on their exchange markets.

SHARE CAPITAL.

At the close of the last fiscal year the paid-in capital was 108,500,000 gold Swiss francs. At the close of this fiscal year it was 125,000,000 gold Swiss francs.

It was announced in the last Annual Report that the Board of Directors had arranged for the subscription during the month of May 1932 of the remaining 26,400 shares of the capital stock which had not been issued but which, under the provisions of the Statutes,

should be issued during the two years following the incorporation of the Bank. At that time several Central Banks desirous of becoming member banks in the Bank for International Settlements were ineligible because their national currencies did not satisfy the practical requirements of the gold or gold exchange standard and for that reason the seven banking institutions which founded the Bank agreed to subscribe to the new shares in conformity with their guarantee given at the time the Bank was organised. Arrangements were, however, made with these institutions to retrocede, in equal proportions, upon the request of the Board of Directors, such number of the additional shares issued as might be needed for transfer to new Central Banks applying for membership during the next five years, as and when they would become eligible.

Subject to these arrangements, the entire authorised capital of the Bank is now taken up, namely, 500 million Swiss gold francs, divided into 200,000 shares of equal nominal gold value, on which 25 per cent has been paid up. The remaining 75 per cent, or any part thereof, may be called for payment by the Board of Directors upon three months' notice to the shareholders.

NET PROFITS AND THEIR DISTRIBUTION.

On the outstanding capital stock, the payment of a dividend at the rate of 6 per cent per annum, that is, at the same rate as was paid last year, requires 7,335,000 Swiss francs (1932: 6,446,770.83 Swiss francs). It is for the present General Meeting to consider a declaration of dividend and its amount and to make appropriations to reserve and to special funds. The net profit for the year, after writing off all losses and after providing for further contingencies, is 14,064,488.93 Swiss francs (1932: 15,182,818.64 Swiss francs), the Swiss franc being taken at par. In the year-end Balance Sheet, all currencies are valued at or below the least favourable market rate prevailing on March 31, 1933, and all assets are valued at or below market quotations, if any, or below cost. In computing the above profits no account has been taken of exchange gains arising by reason of the Bank happening to be short in any depreciated currency; such book profits are carried in a separate suspense account.

After providing for the Legal Reserve that is required by Article 53 of the Statutes, in an amount equal to 5 per cent of the net profits, i. e. 703,224.45 Swiss francs (1932: 759,140.93 Swiss francs), it is recommended that the General Meeting declare a dividend at the rate of 6 per cent per annum on account of the third fiscal year. The net profits still remaining after the distribution of this dividend, if voted, amount to 6,026,264.48 Swiss francs, the appropriation of which is regulated by Article 53 of the Statutes.

Exercising the discretion vested in it by Paragraph (c) of Article 53 of the Statutes, the Board of Directors has determined to place to the credit of the Special Dividend Reserve Fund, for use in maintaining the cumulative 6 per cent dividend provided for by the Statutes, the sum of 1,205,252.90 Swiss francs, which is the maximum amount which it is permissible, under the Statutes, to set aside for this purpose out of the net profits of the present year (1932: 1,595,381.38 Swiss francs).

After making provision for the foregoing items, you are requested, from the balance still remaining, to make an appropriation to the General Reserve Fund of the Bank in the manner stipulated by Paragraph (d) of Article 53, in the amount of 2,410,505.79 Swiss francs (1932: 3,190,762.75 Swiss francs). The aggregate of the Legal, Dividend and General Reserves at the end of the third year would then be 13,706,161.82 Swiss francs.

The same Article of the Statutes lays down the distribution of the sum finally remaining, namely, 2,410,505.79 Swiss francs, between such of the Governments or Central Banks of Germany and the countries entitled to share in the annuities payable under the New Plan, defined in the Hague Agreement of January 1930, as shall have maintained time deposits at the Bank subject to withdrawal in not less than five years. No Central Bank has such time deposits at present but the following Governments have these deposits and are entitled, in view of this minimum duration of their deposits, to participate in the residual amount of 2,410,505.79 Swiss francs (1932: 3,190,762.75 Swiss francs), in the following sums:—

| | | Swiss francs at par | |
|---|------------|---------------------|---------------------|
| | | 1932—33 | 1931—32 |
| French Government Guarantee Fund in accordance with Article XIII of the Trust Agreement | | 552,646.98 | 731,551.58 |
| German Government non-interest-bearing deposit in accordance with Article IX of the Trust Agreement | | 619,286.27 | 819,737.06 |
| Creditor Government minimum deposits in accordance with Article IV(e) of the Trust Agreement:— | | | |
| France | 674,155.03 | 892,365.76 | |
| Great Britain | 263,444.38 | 348,716.14 | |
| Italy | 137,605.41 | 182,145.57 | |
| Belgium | 74,438.21 | 98,532.39 | |
| Rumania | 13,005.01 | 17,214.48 | |
| Yugoslavia | 54,125.62 | 71,645.02 | |
| Greece | 4,458.86 | 5,902.11 | |
| Portugal | 8,546.15 | 11,312.37 | |
| Japan | 8,546.15 | 11,312.37 | |
| Poland | 247.72 | 327.90 | |
| | | <u>1,238,572.54</u> | <u>1,639,474.11</u> |
| | | <u>2,410,505.79</u> | <u>3,190,762.75</u> |

The accounts of the Bank and its third Annual Balance Sheet have been duly audited by Messrs Price, Waterhouse & Company, Chartered Accountants, Paris. The Balance Sheet will be found in Annex III, as well as the certificate of the auditors to the effect that they have obtained all the information and explanations they have required and that in their opinion the Balance Sheet, together with the note thereon, is properly drawn up so as to exhibit a true and correct view of the state of the Bank's affairs according to the best of their information and the explanations given to them and as shown by its books. The Profit and Loss Account and the Appropriation Account are reproduced in Annex IV.

CHANGES IN BOARD OF DIRECTORS.

Since the last Annual Meeting, several changes have occurred in the composition of the Board of Directors. The two Vice-Chairmen chosen when the Bank was first organized, Sir Charles Addis and Dr. Carl Melchior, have each severed their membership by resignation. They were respectively replaced as Vice-Chairmen by Prof. Alberto Beneduce, President of the Consorzio di Credito per le Opere Pubbliche, Rome (elected in May 1932) and by Dr. L. J. A. Trip, President of De Nederlandsche Bank, Amsterdam (elected in April 1933). They were respectively replaced as

Directors by Sir Otto Niemeyer, of the Bank of England, and Baron Curt von Schröder, of the banking house J. H. Stein, Cologne. The term of office of Governor Ivar Rooth, of the Sveriges Riksbank, expired by limitation on March 31, 1933. The appointment of Mr. T. Tanaka as substitute nominee of the Governor of the Bank of Japan terminated upon his return to Japan, after four years in Europe during which he served as a member of the Baden-Baden committee which drafted the Bank Statutes. The Governor of the Bank of Japan named as successor Mr. S. Shimasuye, hitherto Representative of the Bank of Japan in New York. Inasmuch as the Statutes provide that the President of the Reichsbank for the time being (like six other central bank Governors) shall be by virtue of his office an ex officio Director of the Bank for International Settlements, the resignation as Reichsbank President of Dr. Hans Luther entailed the simultaneous cessation of his membership in the Board. Similarly, the reappointment of Dr. Hjalmar Schacht as Reichsbank President automatically made him one of the six ex-officio members in the Board of the Bank, in drafting the Statutes of which he had played so active a role at Baden-Baden. Dr. Paul Reusch tendered his resignation from the Board, to which he had been appointed by Dr. Luther, when the latter ceased to be an ex-officio Director, but Dr. Reusch was reappointed by the new President of the Reichsbank. The untiring, constructive and collaborative work of those members of the Board who have withdrawn is well known to each of you, so that there is no occasion for me to dwell upon it here, nor to renew the earnest welcome which has been extended to the new members.

VIII. CONCLUSION.

In the last Annual Report, it was pointed out that the monetary systems of the world, both great and small, were in fact interdependent and that internationalism in monetary matters was not merely an abstract ideal, but already an accomplished fact. The story of that year, with its rapid succession of currency and banking difficulties in one country after another, could not have been what it was except for the essential unity of international finance and monetary relationship which ignores political and geographical frontiers. The last Annual Report continued:— "And this interdependence is not confined to the field of finance, but penetrates much farther into the whole economic structure of the various countries. The indices of production, employment, trade and profits show to an astounding degree the same recurrent tendencies in almost every country in the world. All the evidence available leads to the conclusion that any hope that a single country may achieve prosperity apart from the rest of the world would indeed be based on an insecure foundation."

During the year that has passed, this conclusion drawn at the end of the preceding fiscal year has been reconfirmed. The efforts at national self-sufficiency have but further deflated the volume of goods exchanged, of credit granted, and of financial transactions undertaken, with a consequent progressive reduction of purchasing power and a steady increase of the real burden of debt. The world is at the cross-roads and must shortly choose whether the future is to take shape along the lines of closed national economies with reduced standards of living, or is to revert to the international economy towards which we were in fact naturally and healthfully tending in the days before the war and for a period thereafter. If the former alternative be chosen, then the successful operation of an international monetary mechanism is deprived of its very foundation. The hopeful factor at the moment is that the world, speaking generally, recognizes that a choice must be made. Furthermore, the political authorities have come to realize their responsibilities, and have made and are making deliberate efforts to cope with the situation, and are prepared to meet together in the work of reconstruction. Thus, the review contained in this Report has mentioned many of the steps which in the past year have been taken by political and monetary authorities. In one outstanding instance — the Conference at Lausanne — these efforts resulted in an agreement that represents a great example of collaboration in settling an international problem. When, on the other hand, the efforts have been made in the national sphere, each Government has naturally formed its plans to safeguard the equilibrium of its own country — internally as regards the budgets and externally as regards the balance of payments. It has not infrequently happened that measures which seemed appropriate from the national point of view — as for instance the imposition of higher tariffs to improve the trade balance and thereby to protect the currency — have proved harmful from a general point of view and by their cumulative effects tended to accentuate the depression.

The World Conference will offer an opportunity for the various Governments to frame their economic and monetary plans in common; they may then find it possible and, indeed, to their best advantage, to revise their previous lines of policy so as to adapt their measures to the exigencies of the general situation. A preparation of common plans in the economic and financial field presupposes a desire to collaborate also politically. Meeting after meeting, report after report has stressed the importance of a solution of major political problems to reestablish that degree of

confidence in international affairs without which a recovery by concerted action cannot be expected. This is equally applicable to the problems of a monetary character to which the World Conference must address itself. There the great desideratum is the general restoration of a reformed gold standard without further delay. As the Board of this Bank stated in its unanimous Resolution: "In order to facilitate international settlements under more stable and secure conditions, the gold standard remains the best available monetary mechanism and the one best suited to make possible the free flow of world trade and of international financing Little or no progress can be expected in the monetary sphere, or towards the effective general restoration of the gold standard, as long as the main outstanding problems are not definitely dealt with by the Governments. As soon as sufficient progress is made in the settlement of these problems, concurrently with action on the interdependent economic problems, action in the monetary sphere can also begin. The Bank for International Settlements will be available to the Central Banks to serve as their common agency in the task of monetary reconstruction."

Respectfully submitted,
GATES W. McGARRAH,
President.

ANNEXES

CENTRAL BANKS OR OTHER BANKING INSTITUTIONS ALLOTTED SHARES IN THE CAPITAL STOCK OF THE BANK

(From its opening up to March 31, 1933).

| Shares, 25% paid up, allotted to:— | Number of shares | Date of Acquisition | |
|---|------------------|---------------------|------|
| Bank of England, London | 16,000 | 20th May | 1930 |
| do. do. | 3,772 | 31st May | 1932 |
| Banque Nationale de Belgique, Brussels | 16,000 | 20th May | 1930 |
| do. do. | 3,772 | 31st May | 1932 |
| Banque de France, Paris | 16,000 | 20th May | 1930 |
| do. do. | 3,772 | 31st May | 1932 |
| Banca d'Italia, Rome | 16,000 | 20th May | 1930 |
| do. do. | 3,772 | 31st May | 1932 |
| Reichsbank, Berlin | 16,000 | 20th May | 1930 |
| do. do. | 3,772 | 31st May | 1932 |
| A group of 14 Japanese banks led by the Industrial Bank of Japan, Tokyo | 16,000 | 20th May | 1930 |
| do. do. | 3,770 | 31st May | 1932 |
| The American Group:— | | | |
| J. P. Morgan & Co., New York | 16,000 | 20th May | 1930 |
| The First National Bank of New York, New York | | | |
| The First National Bank of Chicago, Chicago | | | |
| do. do. | 3,770 | 31st May | 1932 |
| De Nederlandsche Bank, Amsterdam | 4,000 | 20th May | 1930 |
| Schweizerische Nationalbank, Zurich | 4,000 | 20th May | 1930 |
| Sveriges Riksbank, Stockholm | 4,000 | 20th May | 1930 |
| Bank von Danzig, Danzig | 4,000 | 25th June | 1930 |
| Finlands Bank, Helsingfors | 4,000 | 25th June | 1930 |
| Banque de Grèce, Athens | 4,000 | 25th June | 1930 |
| Oesterreichische Nationalbank, Vienna | 4,000 | 25th June | 1930 |
| Banque Nationale de Bulgarie, Sofia | 4,000 | 25th June | 1930 |
| Nationalbanken i Kjøbenhavn, Copenhagen | 4,000 | 25th June | 1930 |
| Banque Nationale de Roumanie, Bucarest | 4,000 | 25th June | 1930 |
| Bank Polski, Warsaw | 4,000 | 25th June | 1930 |
| Magyar Nemzeti Bank, Budapest | 4,000 | 25th June | 1930 |
| Narodni Banka Ceskoslovenská, Prague | 4,000 | 25th June | 1930 |
| Eesti Pank, Tallinn | 100 | 31st Oct. | 1930 |
| Latvijas Banka, Riga | 500 | 30th Dec. | 1930 |
| Lietuvos Bankas, Kaunas | 500 | 31st March | 1931 |
| Banque Nationale d'Albanie, Rome | 500 | 30th April | 1931 |
| Norges Bank, Oslo | 4,000 | 30th May | 1931 |
| Banque Nationale du Royaume de Yougoslavie, Belgrade | 4,000 | 28th June | 1931 |
| | 200,000 | | |
| <p>"The authorized capital of the Bank shall be 500,000,000 Swiss gold francs, equivalent to 145,161,290.32 gr. fine gold. It shall be divided into 200,000 shares of equal gold nominal value." (Art. 5, Bank Statutes).</p> | | | |

PERSONNEL

March 31, 1933

| | | |
|--|----|-------------|
| 1. Executive Officers | 7 | |
| 2. Officials: | | |
| Offices of President and General Manager | 2 | |
| Accounts | 6 | |
| Administrative | 1 | |
| Banking Department | 7 | |
| General Secretariat | 2 | |
| Monetary and Economic Department | 8 | 26 |
| 3. Employees: | | |
| Accounts | 17 | |
| Administrative | 3 | |
| Banking Department | 11 | |
| Coding Office | 4 | |
| General Secretariat | 6 | |
| Monetary and Economic Department | 6 | |
| Private Secretaries | 7 | |
| Registry | 6 | |
| Translators | 2 | |
| Typing Pool | 9 | 71 |
| Total | | <u>104*</u> |

* Exclusive of Minor Staff employed for messenger service, upkeep of building, etc.

BALANCE SHEET

(IN SWISS FRANCS)

| ASSETS | | | |
|--|----------------|----------------|-------|
| | | | % |
| I—CASH | | | |
| On hand and on current account with Banks | | 11,396,009.49 | 1.2 |
| II—SIGHT FUNDS at interest . . . | | 52,542,802.86 | 5.6 |
| III—REDISCOUNTABLE BILLS AND ACCEPTANCES | | | |
| 1. Commercial Bills and Bankers' Acceptances | 275,172,012.12 | | 29.2 |
| 2. Treasury Bills | 257,460,575.08 | | 27.4 |
| | | 532,632,587.20 | |
| IV—TIME FUNDS at interest | | | |
| 1. Central Bank credits | 169,041,785.77 | | 18.0 |
| 2. Other Funds not exceeding 3 months maturity | 16,660,860.80 | | 1.8 |
| | | 185,702,646.57 | |
| V—SUNDRY BILLS AND INVESTMENTS | | | |
| 1. Maturing within 3 months | | | |
| (a) Treasury Bills | 14,423,877.39 | | 1.5 |
| (b) Sundry Investments | 70,761,670.11 | | 7.5 |
| 2. Between 3 and 6 months | | | |
| (a) Treasury Bills | 23,481,119.72 | | 2.5 |
| (b) Sundry Investments | 35,301,348.41 | | 3.8 |
| 3. Over 6 months | | | |
| (a) Treasury Bills | 5,840,750.95 | | 0.6 |
| (b) Sundry Investments | 615,735.61 | | 0.1 |
| | | 150,424,502.19 | |
| VI—OTHER ASSETS | | 7,876,483.81 | 0.8 |
| NOTE — The whole of the short term and sight deposits (Item IV—Liabilities) are more than covered by immediately available assets either in the currency of the deposits or in currencies free from exchange restrictions. Of the remaining assets (which are held against long term and capital obligations, reserves and miscellaneous, Items I, II, III and V—Liabilities) an important part is in countries where exchange restrictions now prevail, but a substantial proportion of these assets offsets commitments expressed in the same currencies. Moreover, under Article X of the Hague Agreement of January, 1930, the signatories thereto declared the Bank to be immune from any "prohibition or restriction of export of gold or currency and other similar interferences, restrictions or prohibitions". | | | |
| | | 940,575,032.12 | 100.0 |

TO THE BOARD OF DIRECTORS AND SHAREHOLDERS
OF THE BANK FOR INTERNATIONAL SETTLEMENTS, BASLE.

In conformity with Article 52 of the Bank's Statutes, we have examined the books and accounts and explanations we have required and that in our opinion the above Balance Sheet, together with the affairs according to the best of our information and the explanations given to us and as shown by the

BASLE, April 27, 1933.

AS AT MARCH 31, 1933

AT PAR)

| LIABILITIES | | | |
|---|----------------|----------------|-------|
| | | | % |
| I—CAPITAL | | | |
| Authorised and issued 200,000 shares, each of 2,500 Swiss gold francs | 500,000,000.— | | |
| of which 25 % paid up | | 125,000,000.— | 13.3 |
| II—RESERVES | | | |
| 1. Legal Reserve Fund | 1,318,467.03 | | |
| 2. Dividend Reserve Fund . . . | 2,689,570.55 | | |
| 3. General Reserve Fund | 5,379,141.10 | | |
| | | 9,387,178.68 | 1.0 |
| III—LONG TERM DEPOSITS | | | |
| 1. Annuity Trust Account . . . | 153,640,000.— | | 16.3 |
| 2. German Government Deposit | 76,820,000.— | | 8.2 |
| 3. French Government Guarantee Fund | 68,481,396.68 | | 7.3 |
| | | 298,941,396.68 | |
| IV—SHORT TERM AND SIGHT DEPOSITS | | | |
| 1. Central Banks for their own account: | | | |
| (a) Not exceeding 3 months . | 196,930,490.31 | | 20.9 |
| (b) Sight | 254,796,113.18 | | 27.1 |
| 2. Central Banks for the account of others: | | 451,726,603.49 | |
| Sight | | 13,301,451.79 | 1.4 |
| 3. Other depositors: | | | |
| (a) Not exceeding 3 months | 3,330,020.— | | 0.4 |
| (b) Sight | 3,285,227.25 | | 0.3 |
| | | 6,615,247.25 | |
| V—MISCELLANEOUS ITEMS | | 21,538,665.30 | 2.3 |
| VI—SURPLUS | | | |
| Profit for the financial year ended March 31, 1933 . . . | | 14,064,488.93 | 1.5 |
| | | 940,575,032.12 | 100.0 |

of the Bank for the financial year ending March 31, 1933, and we report that we have obtained all the information with the Note, is properly drawn up so as to exhibit a true and correct view of the state of the Bank's books of the Bank, as expressed in Swiss Franc (at par) equivalents of the currencies concerned.

PRICE, WATERHOUSE & Co.
Chartered Accountants.

PROFIT AND LOSS ACCOUNT

for the financial year ended March 31, 1933

| | Swiss francs at par |
|--|------------------------|
| Net Income from the use of the Bank's capital and the deposits entrusted to it, after necessary allowance for contingencies | 17,795,368.53 |
| Commissions earned :— | |
| Under Trust Agreements | 168,373.— |
| As Trustee (or Fiscal Agent to Trustees) for International Loans | 312,528.78 |
| Transfer Fees | 700.80 |
| | <u>18,276,971.11</u> |
| Costs of Administration :— | |
| Board of Directors — fees and travelling expenses | 342,607.22 |
| Executives and staff — salaries and travelling expenses | 2,740,051.07 |
| Rent, insurance, heating, light and water | 239,106.17 |
| Consumable office supplies, books, publications | 102,385.20 |
| Telephone, telegraph and postage | 111,968.96 |
| Experts' Fees (Auditors, interpreters, etc.) | 31,171.59 |
| Tax on French issue of Bank's shares | 20,018.05 |
| Miscellaneous | 69,273.64 |
| | <u>3,656,581.90</u> |
| Furniture and office equipment | 5,900.28 |
| Provision for indemnities to and repatriation of staff | <u>550,000.—</u> |
| Expenditure | <u>4,212,482.18</u> |
| NET PROFIT :— | <u>14,064,488.93</u> |

APPROPRIATION ACCOUNT

| | Swiss francs at par |
|--|------------------------|
| NET PROFIT FOR THE FINANCIAL YEAR ENDED MARCH 31, 1933 | 14,064,488.93 |
| Applied in accordance with Article 53 (a) (b) (c) and (d) of the Statutes, as follows:— | |
| To the Legal Reserve Fund — 5 % of 14,064,488.93 | 703,224.45 |
| | 13,361,264.48 |
| Dividend at the rate of 6 % per annum on paid-up capital | 7,335,000.— |
| | 6,026,264.48 |
| To the Dividend Reserve Fund — 20 % of 6,026,264.48 | 1,205,252.90 |
| | 4,821,011.58 |
| To the General Reserve Fund — 50 % of 4,821,011.58 | 2,410,505.79 |
| Remainder | 2,410,505.79 |

Distributed in accordance with Article 53 (e) (1) of the Statutes, as follows:—

| | Swiss francs at par | |
|--|------------------------|--------------|
| French Government Guarantee Fund in accordance with Article XIII of the Trust Agreement | 552,646.98 | |
| German Government non-interest-bearing deposit in accordance with Article IX of the Trust Agreement | 619,286.27 | |
| Creditor Government minimum deposits in accordance with Article IV (e) of the Trust Agreement:— | | |
| France | 674,155.03 | |
| Great Britain | 263,444.38 | |
| Italy | 137,605.41 | |
| Belgium | 74,438.21 | |
| Rumania | 13,005.01 | |
| Yugoslavia | 54,125.62 | |
| Greece | 4,458.86 | |
| Portugal | 8,546.15 | |
| Japan | 8,546.15 | |
| Poland | 247.72 | |
| | 1,238,572.54 | 2,410,505.79 |

THE TRUSTEE OF THE CREDITOR GOVERNMENTS

Summary of Receipts and Payments for the

(EXPRESSED IN

| RECEIPTS | | Reichsmarks | | | | | | | | | | | | | | | |
|---|----------------|------------------------|--|------------------------|-------------------|--------------|--------------|------------------|-------------|------------|-------------------|----------------|----------------|-------|--|----------------|--|
| I—Balances as at April 1, 1932: | | | | | | | | | | | | | | | | | |
| (a) Held in a Special Account at the Reichsbank, Berlin, in Dollars in the name of the Trustee, being the share of Yugoslavia in the non-postponable part of the Annuity for the period from July 1, 1931 to March 31, 1932 | | 4,031,600.85 | | | | | | | | | | | | | | | |
| (b) Held in special interest bearing accounts in accordance with Article IV (f) of the Trust Agreement, reserved for payments for deliveries in kind | | 23,212,392.10 | | | | | | | | | | | | | | | |
| (c) Balance of the Annuity Trust Account being minimum deposits in accordance with Article IV (e) of the Trust Agreement | | 125,000,000.— | | | | | | | | | | | | | | | |
| II—Due from and paid by the German Government in accordance with the Debt Certificate, the London Protocol of August 11, 1931 and the Lausanne Agreement of July 9, 1932: | | | | | | | | | | | | | | | | | |
| (a) Amount required for twelve months' service of the German External Loan 1924 | 71,408,887.82 | | | | | | | | | | | | | | | | |
| (b) Three monthly payments (April—June 1932) at the rate of R. M. 612,000,000 annually. | 153,000,000.— | | | | | | | | | | | | | | | | |
| Less the part thereof required for the service of the German Government International 5½% Loan 1930, included in (c) below | 16,127,958.89 | *136,872,041.11 | | | | | | | | | | | | | | | |
| (c) Two-thirds of the amount required for twelve months' service of the German Government International 5½% Loan 1930 | 64,418,105.12 | 272,699,034.05 | | | | | | | | | | | | | | | |
| * Pursuant to Annex I of the London Protocol of August 11, 1931, these monthly payments were made in various currencies as follows: | | | | | | | | | | | | | | | | | |
| <table border="1"> <thead> <tr> <th colspan="2">Currencies</th><th>Reichsmark Equivalents</th></tr> </thead> <tbody> <tr> <td>U. S. Dollars . .</td><td>5,247,811.06</td><td>22,109,028.—</td></tr> <tr> <td>Sterling</td><td>34,487.—.10</td><td>539,141.75</td></tr> <tr> <td>French Francs . .</td><td>687,356,775.31</td><td>114,223,871.36</td></tr> <tr> <td colspan="2">Total</td><td>136,872,041.11</td></tr> </tbody> </table> | | Currencies | | Reichsmark Equivalents | U. S. Dollars . . | 5,247,811.06 | 22,109,028.— | Sterling | 34,487.—.10 | 539,141.75 | French Francs . . | 687,356,775.31 | 114,223,871.36 | Total | | 136,872,041.11 | |
| Currencies | | Reichsmark Equivalents | | | | | | | | | | | | | | | |
| U. S. Dollars . . | 5,247,811.06 | 22,109,028.— | | | | | | | | | | | | | | | |
| Sterling | 34,487.—.10 | 539,141.75 | | | | | | | | | | | | | | | |
| French Francs . . | 687,356,775.31 | 114,223,871.36 | | | | | | | | | | | | | | | |
| Total | | 136,872,041.11 | | | | | | | | | | | | | | | |
| Total | | 424,943,027.— | | | | | | | | | | | | | | | |

TO THE BANK FOR INTERNATIONAL SETTLEMENTS,
TRUSTEE OF THE CREDITOR GOVERNMENTS FOR THE ANNUITIES PAYABLE BY GERMANY, BASLE.

As auditors of the Bank for International Settlements we have examined the above statement and compared it with the records of the Bank and the Government of Germany. We certify that in our opinion it correctly reflects all the operations of the Bank for the year ending March 31, 1933.

BASLE, April 29, 1933.

FOR THE ANNUITIES PAYABLE BY GERMANY

period from April 1, 1932 to March 31, 1933

REICHSMARKS)

| PAYMENTS AND BALANCES | Reichsmarks |
|---|----------------|
| I—To the Trustees for the service of the German External Loan 1924 in accordance with Article IV (a) of the Trust Agreement | 71,408,887.82 |
| II—To the Trustee for the service of the German Government International 5½ % Loan 1930 in accordance with Article IV (b) of the Trust Agreement | 64,418,105.12 |
| III—To the Trustee of the Creditor Governments for the Annuities payable by Germany for commission in accordance with Article XVIII of the Trust Agreement: | |
| For the account of: France 114,338.21 British Empire 9,718.01 Italy 9,443.21 Yugoslavia 1,349.04 Portugal 539.68 Japan 1,483.89 | 136,872.04 |
| IV—In respect of deliveries in kind in accordance with Article VII of the Trust Agreement: | |
| For the account of: France 22,456,829.64 Belgium 4,000.— Yugoslavia Dr. 1,198.80 Japan 174,000.— | 22,633,630.84 |
| V—To the German Railway Company by way of loan in foreign currencies in accordance with Annex I Article I (c) of the London Protocol of August 11, 1931: | |
| For the account of: France 114,223,871.36 British Empire 9,708,292.27 Italy 9,433,772.29 Portugal 539,141.75 Japan 1,482,398.13 | 135,387,475.80 |
| VI—To the German Government in accordance with the instructions of the Yugoslav Government being the share of Yugoslavia in the non-postponable part of the Annuity for the period from July 1, 1931 to June 30, 1932 | 5,379,294.12 |
| VII—Balances as at March 31, 1933: | |
| (a) Held in special interest bearing accounts in accordance with Article IV (f) of the Trust Agreement, reserved for payments for deliveries in kind | 578,761.26 |
| (b) Balance of the Annuity Trust Account being minimum deposits in accordance with Article IV (e) of the Trust Agreement | 125,000,000.— |
| Total | 424,943,027.— |

with the books of the Bank, and, in conformity with Article XVII of the Trust Agreement between the Creditor and the German Government, including the service of the German External Loan 1924, for the

PRICE, WATERHOUSE & Co.
Chartered Accountants.

THE TRUSTEE OF THE CREDITOR GOVERNMENTS FOR THE ANNUITIES PAYABLE BY HUNGARY

Summary of Receipts and Payments for the period from January 1 to December 31, 1932

(EXPRESSED IN GOLD CROWNS)

Receipts

| | Gold Crowns |
|---|-------------|
| I—Balance as at January 1, 1932: | |
| Pengő 337,598.33 being the equivalent of | 290,800.— |
| This sum was received in respect of the annuity payment due on December 31, 1931. The President of the National Bank of Hungary exercised the right referred to in Article 4 of the Trust Agreement to postpone its conversion into foreign currencies. It was converted, at the par of exchange, into \$ 58,923.77 on January 5, 1932. | |
| II—Interest on dollar funds held by the Trustee pending distribution | 2,633.96 |
| III—From the Hungarian Government: | |
| (a) on June 30, 1932, in accordance with the London Protocol of January 21, 1932: | |
| Pengő 380,182.69, being the equivalent of | 327,150.— |
| The President of the National Bank of Hungary has exercised the right referred to in Article 4 of the Trust Agreement to postpone the conversion of this Pengő sum into foreign currencies. | |
| (b) on December 31, 1932 (see Note) | — |
| IV—From the Creditor Governments in cash or by retention from their shares in the Annuities, in respect of auditors' fees, in accordance with Article 11 of the Trust Agreement | 609.83 |
| Total | 621,193.79 |

Payments

| I—For the account of the undermentioned Governments: | | | | |
|---|---|---|---|-------------|
| | To the Trustee of the Creditor Governments in respect of commission in accordance with Art. 11 of the Trust Agreement | Retained in respect of auditors' fees (included in Item IV above) | To the Agrarian Fund (Fund A) in accordance with Article 3 of the Trust Agreement | Gold Crowns |
| France | 226.56 | 121.69 | 113,957.78 | 114,306.03 |
| Italy | 217.76 | 117.01 | 109,531.43 | 109,866.20 |
| British Empire | 95.84 | 51.53 | 48,206.68 | 48,354.05 |
| Belgium | 34.88 | 18.75 | 17,544.35 | 17,597.98 |
| Japan | 3.28 | 1.78 | 1,649.79 | 1,654.85 |
| Portugal | 3.28 | 1.78 | 1,649.79 | 1,654.85 |
| Totals | 581.60 | 312.54 | 292,539.82 | 293,433.96 |
| II—For auditors' fees for the period from May 6 to December 31, 1931 | | | | 328.64 |
| III—Difference in exchange | | | | 5.37 |
| IV—Balances as at December 31, 1932: | | | | |
| (a) Swiss Francs 289.65, available towards auditors' fees for the year ended December 31, 1932, equivalent to | | | G. C. 275.82 | |
| (b) Pengő 380,182.69, held at the National Bank of Hungary pending conversion into foreign currencies under Article 4 of the Trust Agreement, equivalent to | | | G. C. 327,150.— | 327,425.82 |
| | | | Total | 621,193.79 |

NOTE—The execution of the payment due by the Hungarian Government on December 31, 1932, in accordance with the Debt Certificate, was reserved pursuant to an agreement between the interested Governments to prolong, until June 15, 1933, the terms of Part III of the Lausanne Agreement.

TO THE BANK FOR INTERNATIONAL SETTLEMENTS,
TRUSTEE OF THE CREDITOR GOVERNMENTS FOR THE ANNUITIES PAYABLE BY HUNGARY, BASLE.

As auditors of the Bank for International Settlements we have examined the above statement and compared it with the books of the Bank and, in conformity with Article 10 of the Trust Agreement between the Creditor Governments and the Bank, we certify that in our opinion it correctly reflects all the operations of the Bank in respect of the whole of the Hungarian Annuities for the year ending December 31, 1932.

BASLE, April 29, 1933.

PRICE, WATERHOUSE & Co.
Chartered Accountants.

THE TRUSTEE OF THE CREDITOR GOVERNMENTS FOR THE ANNUITIES PAYABLE BY BULGARIA

Summary of Receipts and Payments
for the period from April 1, 1932 to March 31, 1933
(EXPRESSED IN GOLD FRANCS)

Receipts

| | Gold Francs |
|--|--------------|
| I—Balance as at April 1, 1932 | 1,888,558.27 |
| II—Interest on funds held by the Trustee pending distribution | 4,456.74 |
| III—From the Bulgarian Government: | |
| (a) on September 30, 1932 (see Note) | — |
| (b) on March 31, 1933 (see Note) | — |
| IV—From the Creditor Governments in cash or by retention from their shares in the Annuities, in respect of auditors' fees, in accordance with Article 11 of the Trust Agreement | 361.58 |
| Total | 1,893,376.59 |

Payments

| I—For the account of the undermentioned Governments: | | | |
|---|---|--|--------------|
| | Retained in respect of auditors' fees (included in Item IV above) | To accounts with the Bank for International Settlements in accordance with Article 6 of the Trust Agreement | Gold Francs |
| Greece | — | 1,681,963.98 | 1,681,963.98 |
| France | 24.46 | 83,106.23 | 83,130.69 |
| Italy | 23.48 | 79,907.99 | 79,931.47 |
| British Empire | 10.37 | 35,181.45 | 35,191.82 |
| Belgium | 3.73 | 12,793.32 | 12,797.05 |
| Totals | 62.04 | 1,892,952.97 | 1,893,015.01 |
| II—For auditors' fees for the period from April 28, 1931 to March 31, 1932 | | | 345.12 |
| III—Difference in exchange | | | 3.03 |
| IV—Balance as at March 31, 1933, available towards auditors' fees for the year ended March 31, 1933 | | | 13.43 |
| Total | | | 1,893,376.59 |
| NOTE—The execution of the payments due by the Bulgarian Government, on September 30, 1932 and March 31, 1933, in accordance with the Debt Certificate, was reserved pursuant to the terms of Part III of the Lausanne Agreement which were subsequently prolonged, until June 15, 1933, by agreement between the interested Governments. | | | |

TO THE BANK FOR INTERNATIONAL SETTLEMENTS,
TRUSTEE OF THE CREDITOR GOVERNMENTS FOR THE ANNUITIES PAYABLE BY BULGARIA, BASLE.

As auditors of the Bank for International Settlements we have examined the above statement and compared it with the books of the Bank and, in conformity with Article 10 of the Trust Agreement between the Creditor Governments and the Bank, we certify that in our opinion it correctly reflects all the operations of the Bank in respect of the whole of the Bulgarian Annuities for the year ending March 31, 1933.

BASLE, April 29, 1933.

PRICE, WATERHOUSE & Co.
Chartered Accountants.

FISCAL AGENT OF THE TRUSTEES FOR

Statement of Receipts and Payments for the Eighth

Receipts

| | American Issue \$ | British Issue £ | French Issue £ |
|---|-------------------------|-----------------------|----------------------|
| 1. BANK BALANCES as at October 16, 1931 | 2,354,435.85 | 435,847. 9. 9 | 76,930. 4. 5 |
| 2. RECEIVED FROM THE GERMAN GOVERNMENT | | | |
| Cash in respect of: | | | |
| Interest coupons | 5,211,226.60 | 699,563. 1. 1 | 175,729. 4.11 |
| Bond redemptions | 4,234,916.— | 306,435.19. 8 | 76,608.19. 8 |
| Expenses | 16,106.09 | 1,820.18. 3 | 454.13.10 |
| Bonds delivered for cancellation (see below) | 385,084.— | — | — |
| 3. INTEREST RECEIVED on cash employed pending application to service of the Loan | 24,791.71 | 6,468. 7. 1 | 883.—. 1 |
| | 12,226,560.25 | 1,450,135.15.10 | 330,606. 2.11 |

Payments

| | | | |
|--|---------------|-----------------|---------------|
| 1. INTEREST | | | |
| Matured coupons paid and accrued interest paid on bonds purchased for redemption | 5,277,845.25 | 721,343.10. 1 | 187,483. 5. 7 |
| 2. REDEMPTION | | | |
| Drawn bonds reimbursed (after adjustment in respect of detached unmatured coupons) | 28,504.— | 96.10.— | 2,886.—.— |
| Bonds purchased for redemption by the Paying Agents | 4,264,715.— | 279,261.16.11 | 75,892.12. 9 |
| Bonds purchased by the German Government and delivered for can- cellation (see above) | 385,084.— | — | — |
| 3. EXPENSES | | | |
| Commission and expenses of Paying Agents and Fiscal Agent and fees and expenses of Trustees | 32,966.61 | 2,821. 7. 9 | 928.14. 8 |
| 4. BANK BALANCES as at October 15, 1932, held for the purposes shown on Annex VIII b | 2,237,445.39 | 446,612.11. 1 | 63,415. 9.11 |
| | 12,226,560.25 | 1,450,135.15.10 | 330,606. 2.11 |

AUDITORS'

We have audited the Books and Accounts of the Fiscal Agent of the Trustees for the German of Receipts and Disbursements is correctly prepared therefrom and properly sets forth the transactions funds on hand at October 15, 1932 which are held for the purposes set forth in Annex VIIIb.

BASLE, January 9, 1933.

THE GERMAN EXTERNAL LOAN 1924

Loan Year (October 16, 1931 to October 15, 1932)

| Belgian Issue £ | Dutch Issue £ | German Issue £ | Swiss Issue £ | Swiss Issue Sw. Fr. | Italian Issue Lire | Swedish Issue Sw. Cr. | General Expenses Sw. Fr. |
|-----------------------|---------------------|----------------------|---------------------|---------------------------|--------------------------|-----------------------------|--------------------------------|
| 20,989.14.— | 57,637. 7.— | 2,655. 7. 6 | 85,871.14.11 | 565,573.90 | 3,878,661.16 | 192,082.29 | — |
| 87,674.19.10 | 146,271.18. 2 | 18,671.14. 5 | 139,556.—. 4 | 889,070.78 | 5,882,743.65 | 1,498,348.99 | — |
| 35,111.12.11 | 63,840.18. 8 | 7,453. 4. 9 | 55,344.10.— | 383,045.05 | 2,553,791.65 | 643,750.— | — |
| 227.10. 2 | 379. 5.10 | — | 358. 8. 5 | 2,278.— | 15,140.40 | 3,834.35 | 99,753.12 |
| 3,192.18. 1 | — | 718. 8. 1 | 4,921. 4. 4 | — | — | — | — |
| 891. 8. 8 | 1,040. 2. 6 | 137.14.11 | 370. 1. 3 | 2,171.10 | 19,686.63 | 18,398.35 | — |
| 148,088. 3. 8 | 269,169.12. 2 | 29,636. 9. 8 | 286,421.19. 3 | 1,842,138.83 | 12,350,023.49 | 2,356,413.98 | 99,753.12 |

| | | | | | | | |
|---------------|---------------|--------------|---------------|--------------|---------------|--------------|-----------|
| 89,213.19. 3 | 155,386. 6.11 | 18,821. 3. 3 | 142,235. 5. 8 | 896,862.25 | 6,014,244.35 | 1,522,710.— | — |
| 96.10.— | — | — | 96.10.— | — | 33,237.50 | 640,000.— | — |
| 33,724. 8. 3 | 63,757.—. 9 | 7,428. 2. 1 | 55,409. 1. 9 | 400,710.— | 2,651,312.— | — | — |
| 3,192.18. 1 | — | 718. 8. 1 | 4,921. 4. 4 | — | — | — | — |
| 392. 6. 1 | 917. 3. 7 | 9.12. 1 | 568. 7. 5 | 5,391.38 | 24,387.70 | 4,606.78 | 99,753.12 |
| 21,468. 2.— | 49,109.—.11 | 2,659. 4. 2 | 83,191.10. 1 | 539,175.20 | 3,626,841.94 | 189,097.20 | — |
| 148,088. 3. 8 | 269,169.12. 2 | 29,636. 9. 8 | 286,421.19. 3 | 1,842,138.83 | 12,350,023.49 | 2,356,413.98 | 99,753.12 |

CERTIFICATE

External Loan 1924 for the eighth Loan Year ending October 15, 1932 and certify that the above Statement for this period. We have also verified, by means of certificates from the depositaries, the existence of the

PRICE, WATERHOUSE & Co.
Chartered Accountants.

FISCAL AGENT OF THE TRUSTEES FOR

Statement of Funds in the hands of

| | American Issue \$ | British Issue £ |
|---|-------------------------|-----------------------|
| The Cash Balances as at October 15, 1932 were held for the following purposes:— | | |
| 1. To meet unrepresented matured interest coupons and drawn bonds Interest coupons exclusive of coupons treated as prescribed, for which no funds are on hand | 1,358,524.03 | 346,994.11.— |
| Drawn bonds including detached unmatured coupons | 2,691.50 | 3.10.— |
| 2. To discharge expenses accrued to October 15, 1932, but not claimed until thereafter | 6,347.89 | 866. 2. 6 |
| 3. Instalments in respect of the ninth Loan year received from the German Government in advance of maturities, less payments therefrom for bonds purchased on the market | 649,928.46 | 85,081.—. 8 |
| Funds on hand for liquidation of accrued or accruing liabilities as above . . . | 2,017,491.88 | 432,945. 4. 2 |
| 4. Available for bond redemptions | 48.25 | 39. 3. 8 |
| 5. Surplus funds on hand at October 15, 1932 to be applied in reduction of sums to be received from the German Government in the ninth Loan year | 219,905.26 | 13,628. 3. 3 |
| Total balances on hand as per Statement of Receipts and Payments — Annex VIII a | 2,237,445.39 | 446,612.11. 1 |

Statement of Bonds outstanding

| | | |
|--|-------------|------------|
| Nominal value of bonds issued | 110,000,000 | 12,000,000 |
| Less: Nominal value of bonds redeemed, drawn for redemption or cancelled during:— | | |
| 1. First seven Loan years | 31,827,100 | 1,704,400 |
| 2. Eighth Loan year:— | | |
| (a) From bond redemption instalments applicable to the eighth year | 7,575,300 | 407,500 |
| (b) From bond redemption instalments applicable to the ninth year received in advance | 209,000 | — |
| Nominal value of bonds outstanding as at October 15, 1932 (see note below) | 70,388,600 | 9,888,100 |

NOTE: When drawn for redemption, bonds

THE GERMAN EXTERNAL LOAN 1924

Depositories as at October 15, 1932

| French Issue £ | Belgian Issue £ | Dutch Issue £ | German Issue £ | Swiss Issue £ | Swiss Issue Sw. Fr. | Italian Issue Lire | Swedish Issue Sw. Cr. |
|---|---|--|--------------------------------------|--|---|--|-----------------------------|
| 43,585.10.— 73.10.— 108. 7. 5 16,225.17. 3 | 9,009.—.— 3.10.— 109. 4. 8 10,633.16.— | 33,978.—.— — 189.16.11 12,059.—.— | — — — 2,259.14.11 | 69,464.10.— 3.10.— 146.11. 6 11,450.12. 1 | 448,315.— 1,105.— 1,122.69 72,789.88 | 3,003,367.50 5,417.50 8,058.09 519,322.05 | — — — 180,621.75 |
| 59,993. 4. 8 1. 7. 6 3,420.17. 9 | 19,755.10. 8 7.18. 8 1,704.12. 8 | 46,226.16.11 54. 4.11 2,827.19. 1 | 2,259.14.11 38.16. 4 360.12.11 | 81,065. 3. 7 59.—.11 2,067. 5. 7 | 523,332.57 399.90 15,442.73 | 3,536,165.14 138.— 90,538.80 | 180,621.75 — 8,475.45 |
| 63,415. 9.11 | 21,468. 2.— | 49,109.—.11 | 2,659. 4. 2 | 83,191.10. 1 | 539,175.20 | 3,626,841.94 | 189,097.20 |

as at October 15, 1932

| | | | | | | | |
|-----------|-----------|-----------|---------|-----------|------------|-------------|------------|
| 3,000,000 | 1,500,000 | 2,500,000 | 360,000 | 2,360,000 | 15,000,000 | 100,000,000 | 25,200,000 |
| 427,600 | 210,500 | 355,400 | 84,200 | 332,400 | 2,086,000 | 14,236,500 | 3,447,000 |
| 107,200 | 52,500 | 86,000 | 12,600 | 68,200 | 505,000 | 2,900,500 | 640,000 |
| 6,100 | — | 6,800 | — | 6,500 | 42,000 | 217,000 | — |
| 2,459,100 | 1,237,000 | 2,051,800 | 263,200 | 1,952,900 | 12,367,000 | 82,646,000 | 21,113,000 |

of the American Issue are repayable at 105 %.

FISCAL AGENT OF THE TRUSTEES FOR

Interim Statement of Receipts and Payments

Nominal amount originally issued
Nominal amount outstanding as at April 15, 1933

RECEIPTS

1. BANK BALANCES as at October 16, 1932
2. RECEIVED FROM THE GERMAN GOVERNMENT in respect of:
 - Interest coupons
 - Bond redemptions
 - Expenses
3. INTEREST RECEIVED on cash employed pending application to service of the Loan

PAYMENTS

1. INTEREST
 - Matured coupons paid and accrued interest paid on bonds purchased for redemption
2. REDEMPTION
 - Drawn bonds reimbursed (after adjustment in respect of detached unmatured coupons)
 - Bonds purchased for redemption
3. EXPENSES
 - Commission and expenses of Paying Agents and Fiscal Agent and fees and expenses of Trustees.
4. BANK BALANCES as at April 15, 1933 in respect of:
 - Interest coupons
 - Bond redemptions
 - Matured coupons unrepresented
 - Drawn bonds unrepresented including detached unmatured coupons
 - Miscellaneous items

THE GERMAN EXTERNAL LOAN 1924

for the half-year ended April 15, 1933

| Dollars | Sterling | Swiss Francs | Lire | Swedish Crowns |
|-------------------------------|----------------------------------|------------------------------|-------------------------------|------------------------------|
| 110,000,000.— 67,209,100.— | 21,720,000.—.— 17,511,200.—.— | 15,000,000.— 12,136,000.— | 100,000,000.— 81,297,500.— | 25,200,000.— 21,113,000.— |
| 2,237,445.39 | 666,455.18. 2 | 539,175.20 | 3,626,841.94 | 189,097.20 |
| 2,252,498.62 | 601,887.13. 4 | 419,270.67 | 2,813,835.10 | 730,858.80 |
| 2,310,000.— | 294,473. 1. 6 | 203,740.60 | 1,358,250.— | 342,500.— |
| 7,439.41 | 1,696. 3. 2 | 48,183.98 | 7,456.95 | 1,896.25 |
| 9,221.54 | 1,365.—. 7 | 723.10 | 5,097.87 | 4,002.44 |
| 6,816,604.96 | 1,565,877.16. 9 | 1,211,093.55 | 7,811,481.86 | 1,268,354.69 |
| 2,664,073.56 | 592,321. 3. 7 | 435,536.55 | 2,877,167.85 | — |
| — | 21.—.— | — | 1,052.50 | — |
| 2,340,671.25 | 293,947. 9. 4 | 204,050.— | 1,257,773.— | — |
| 14,794.32 | 2,826.17. 2 | 48,954.90 | 11,152.25 | 1,847.39 |
| 411,819.33 | 104,250. 8. 4 | 72,385.85 | 483,367.50 | 123,159.15 |
| 206,520.75 | 33,908. 2. 6 | 397.25 | 135,367.— | 399,583.35 |
| 1,101,782.50 | 529,374. 9.— | 441,910.— | 2,999,710.— | 738,955.— |
| 2,691.50 | 63.—.— | 1,105.— | 4,365.— | — |
| 74,251.75 | 9,165. 6.10 | 6,754.— | 41,526.76 | 4,809.80 |
| 6,816,604.96 | 1,565,877.16. 9 | 1,211,093.55 | 7,811,481.86 | 1,268,354.69 |

TRUSTEE FOR THE GERMAN GOVERNMENT

Statement of Receipts and Payments for the Second

Receipts

| | German Issue R. M. | American Issue \$ | Belgian Issue Bgs. |
|--|--------------------------|-------------------------|--------------------------|
| 1. BANK BALANCES as at June 2, 1931 | 628,030.42 | 1,535,907.99 | 1,002,172.40 |
| 2. SUMS RECEIVED FROM THE GERMAN GOVERNMENT in respect of: | | | |
| Interest coupons | 1,906,434.26 | 5,272,986.72 | 1,874,905.78 |
| Adjustments effected between Paying Agents for the value of coupons paid in currencies other than the currency of issue | 96,441.72 | 5,389.90 | 294,334.12 |
| Bond redemptions | 389,666.48 | 1,057,861.87 | 376,226.55 |
| Expenses | 4,708.35 | 12,211.12 | 5,081.26 |
| 3. INTEREST RECEIVED on cash employed pending application to service of the Loan | 32,364.56 | 18,067.85 | 10,127.81 |
| 4. CURRENCIES PURCHASED in connection with the application of Article VI (a) of the General Bond (see below) | — | — | — |
| | 3,057,645.79 | 7,902,425.45 | 3,562,847.92 |

Payments

| | | | |
|--|--------------|--------------|--------------|
| 1. INTEREST | | | |
| Matured coupons paid and accrued interest paid on bonds purchased for redemption | 2,056,346.— | 5,753,829.15 | 1,883,960.73 |
| Adjustments required between Paying Agents for the value of coupons paid in currencies other than the currency of issue | 46,748.39 | 1,585.74 | 305,972.67 |
| 2. REDEMPTION | | | |
| Bonds purchased for redemption | 389,662.62 | 1,057,560.— | 404,415.82 |
| 3. EXPENSES | | | |
| Commission and expenses of Paying Agents and Trustee | 6,361.94 | 22,171.42 | 8,660.71 |
| 4. CURRENCIES SOLD in connection with the application of Article VI (a) of the General Bond (see above) | — | — | — |
| 5. BANK BALANCES as at June 1, 1932, held for the purposes shown on Annex Xb | 558,526.84 | 1,067,279.14 | 959,837.99 |
| | 3,057,645.79 | 7,902,425.45 | 3,562,847.92 |

AUDITORS'

We have audited the Books and Accounts of the Trustee for the German Government International and Disbursements is correctly prepared therefrom and properly sets forth the transactions for that year.

BASLE, August 10, 1932.

INTERNATIONAL 5½% LOAN 1930

Loan Year (June 2, 1931 to June 1, 1932)

| French Issue Fr. Fr. | British Issue | | Dutch Issue Fl. | Italian Issue Lire | Swedish Issue | | Swiss Issue Sw. Fr. | General Expenses |
|----------------------------|---------------|-----------------|-----------------------|--------------------------|---------------|---------------|---------------------------|--------------------------------------|
| | \$ | £ | | | \$ | Sw. Cr. | | |
| 60,831,850.70 | — | 230,416.15.10 | 670,077.93 | 3,082,047.29 | — | 1,148,223.63 | 2,543,491.99 | — |
| 135,245,886.99 | 2,441,615.53 | 211,515.13. 1 | 3,921,074.41 | 5,905,632.30 | 1,178,796.54 | 1,937,882.02 | 4,931,216.13 | — |
| — 853,395.65 | — 57,367.— | — 11,045.15. 5 | — 216,607.17 | — 19,525.— | — 482.94 | — 330.— | 842,866.60 | — |
| 26,951,118.95 | 420,342.90 | 43,183. 4. 4 | 789,373.89 | 1,188,762.30 | 213,645.20 | 394,988.80 | 992,273.56 | — |
| 464,909.98 | 6,241.95 | 419. 3. 7 | 8,517.83 | 19,842.43 | 3,164.33 | 6,295.67 | 13,526.88 | R. M. 1,120.15 Sw. Fr. 194,022.25 |
| 432,016.93 | 12,825.15 | 968.19. 3 | 3,735.48 | 15,782.73 | 3,672.22 | 9,424.46 | 15,543.47 | — |
| — | 893,265.06 | 1,014,697.12. 8 | — | — | 461,475.21 | 9,510,387.95 | — | — |
| 223,072,387.90 | 3,716,923.59 | 1,490,155.13. 4 | 5,176,172.37 | 10,192,542.05 | 1,860,270.56 | 13,006,872.53 | 9,338,918.63 | R. M. 1,120.15 Sw. Fr. 194,022.25 |

| | | | | | | | | |
|----------------|--------------|-----------------|--------------|---------------|--------------|---------------|--------------|--------------------------------------|
| 136,913,706.33 | — | 698,358.19. 5 | 3,754,657.42 | 5,971,551.95 | — | 5,356,278.84 | 4,983,726.80 | — |
| — 856,841.35 | — | — 22,686.15.10 | — 238,442.51 | — 25,712.50 | — | — 2,881.25 | 842,788.55 | — |
| 26,952,415.67 | — | 158,270. 5. 9 | 789,473.34 | 1,218,736.50 | — | 1,463,851.93 | 990,337.50 | — |
| 690,438.63 | 28.50 | 2,753.14.— | 15,199.25 | 28,504.35 | 4.— | 20,240.07 | 19,818.85 | R. M. 1,120.15 Sw. Fr. 194,022.25 |
| — | 3,680,402.72 | 234,329.12. 2 | — | — | 1,848,430.22 | 2,044,707.56 | — | — |
| 59,372,668.62 | 36,492.37 | 419,129.17.10 | 855,284.87 | 2,999,461.75 | 11,836.34 | 4,124,675.38 | 2,502,246.93 | — |
| 223,072,387.90 | 3,716,923.59 | 1,490,155.13. 4 | 5,176,172.37 | 10,192,542.05 | 1,860,270.56 | 13,006,872.53 | 9,338,918.63 | R. M. 1,120.15 Sw. Fr. 194,022.25 |

CERTIFICATE.

5½% Loan 1930 for the second fiscal year ending June 1, 1932 and certify that the above Statement of Receipts
We have also verified the bank balances on hand at June 1, 1932 by certificates from the depositaries.

PRICE, WATERHOUSE & Co.
Chartered Accountants.

TRUSTEE FOR THE GERMAN GOVERNMENT

Statement of Funds in the hands of

| | German Issue R. M. | American Issue \$ |
|---|--------------------------|-------------------------|
| The Cash Balances as at June 1, 1932 were held for the following purposes:— | | |
| 1. To meet unpresented matured coupons | 589,440.50 | 1,006,351.50 |
| 2. To discharge expenses accrued to June 1, 1932, but not claimed until thereafter | 1,473.75 | 6,692.71 |
| 3. To meet adjustments not yet effected between Paying Agents in respect of the payment of coupons in currencies other than the currency of issue | — 56,512.79 | 33.08 |
| Funds on hand for liquidation of accrued or accruing liabilities | 534,401.46 | 1,013,077.29 |
| 4. Available for bond redemptions | 16.30 | 433.22 |
| 5. Surplus funds on hand at June 1, 1932 to be applied in reduction of sums to be received from the German Government in the third Loan year | 24,109.08 | 53,768.63 |
| Total balances on hand as per Statement of Receipts and Payments— Annex Xa | 558,526.84 | 1,067,279.14 |

Statement of Bonds outstanding

| | German Issue R. M. | American Issue \$ |
|---|--------------------------|-------------------------|
| Nominal value of bonds issued | 36,000,000 | 98,250,000 |
| Less: Nominal value of bonds redeemed during:— | | |
| 1. First Loan year | 555,800 | 1,415,000 |
| 2. Second Loan year | 700,300 | 2,729,000 |
| Nominal value of bonds outstanding as at June 1, 1932 | 34,743,900 | 94,106,000 |

INTERNATIONAL 5¹/₂% LOAN 1930

Depositories as at June 1, 1932

| Belgian Issue Bgs. | French Issue Fr. Fr. | British Issue | | Dutch Issue Fl. | Italian Issue Lire | Swedish Issue | | Swiss Issue Sw. Fr. |
|--------------------------|----------------------------|---------------|---------------|-----------------------|--------------------------|---------------|--------------|---------------------------|
| | | \$ | £ | | | \$ | Sw. Cr. | |
| 936,177.— | 57,996,840.— | — | 422,202.17. 1 | 750,596.— | 2,936,862.50 | — | 4,124,667.05 | 2,443,705.— |
| 2,349.98 | 250,293.21 | 1.85 | 1,064. 9. 4 | 4,681.01 | 10,679.51 | 1.65 | 11,386.07 | 6,113.68 |
| — 1,095.02 | 3,816.50 | — | — 3,129.14. 9 | 60,701.79 | 6,210.— | — | — | — 34.91 |
| 937,431.96 | 58,250,949.71 | 1.85 | 420,137.11. 8 | 815,978.80 | 2,953,752.01 | 1.65 | 4,136,053.12 | 2,449,783.77 |
| 1,164.49 | 274.43 | 2,154.14 | — | 12.25 | 3.82 | 1,323.82 | — | 3,399.54 |
| 21,241.54 | 1,121,444.48 | 34,336.38 | — 1,007.13.10 | 39,293.82 | 45,705.92 | 10,510.87 | — 11,377.74 | 49,063.62 |
| 959,837.99 | 59,372,668.62 | 36,492.37 | 419,129.17.10 | 855,284.87 | 2,999,461.75 | 11,836.34 | 4,124,675.38 | 2,502,246.93 |

as at June 1, 1932

| Belgian Issue Bgs. | French Issue Fr. Fr. | British Issue £ | Dutch Issue Fl. | Italian Issue Lire | Swedish Issue Sw. Cr. | Swiss Issue Sw. Fr. |
|--------------------------|----------------------------|-----------------------|-----------------------|--------------------------|-----------------------------|---------------------------|
| 35,000,000 | 2,515,000,000 | 12,000,000 | 73,000,000 | 110,000,000 | 110,000,000 | 92,000,000 |
| 492,800 | 33,894,000 | 179,100 | 1,112,800 | 1,664,000 | 1,595,000 | 1,356,000 |
| 878,100 | 51,269,000 | 319,600 | 2,080,100 | 2,168,000 | 2,794,000 | 2,329,000 |
| 33,629,100 | 2,429,837,000 | 11,501,300 | 69,807,100 | 106,168,000 | 105,611,000 | 88,315,000 |

TRUSTEE FOR THE GERMAN GOVERNMENT

Interim Statement of Receipts and Payments

| | Reichsmarks | Dollars |
|--|--------------|--------------|
| Nominal amount originally issued | 36,000,000.— | 98,250,000.— |
| Nominal amount outstanding as at December 1, 1932 | 34,417,300.— | 92,848,500.— |
| RECEIPTS | | |
| 1. BANK BALANCES as at June 2, 1932 | 558,526.84 | 1,115,607.85 |
| 2. RECEIVED FROM THE GERMAN GOVERNMENT in respect of: | | |
| Interest coupons | 998,626.43 | 4,797,851.23 |
| Bond redemptions | 214,091.49 | 1,083,442.35 |
| Expenses | 2,380.66 | 11,129.90 |
| 3. INTEREST RECEIVED on cash employed pending application to service of the Loan | 7,630.77 | 8,151.74 |
| 4. CURRENCIES PURCHASED in connection with the application of Article VI (a) of the General Bond (see below) | — | — |
| | 1,781,256.19 | 7,016,183.07 |
| PAYMENTS | | |
| 1. INTEREST — Matured coupons paid and accrued interest paid on bonds purchased for redemption | 965,750.10 | 2,601,093.85 |
| 2. REDEMPTION — Bonds purchased for redemption | 214,051.57 | 574,948.75 |
| 3. EXPENSES — Commission and expenses of Paying Agents and Trustee | 2,972.97 | 9,753.31 |
| 4. CURRENCIES SOLD in connection with the application of Article VI (a) of the General Bond (see above) | — | 2,748,093.78 |
| 5. BANK BALANCES as at December 1, 1932, in respect of: | | |
| Bond redemptions | 56.22 | 53,059.76 |
| Matured coupons unrepresented | 585,388.57 | 979,563.08 |
| Miscellaneous items | 13,036.76 | 49,670.54 |
| | 1,781,256.19 | 7,016,183.07 |

INTERNATIONAL 5 $\frac{1}{2}$ % LOAN 1930

for the half-year ended December 1, 1932

| Belgas | French Francs | Sterling | Florins | Lire | Swedish Crowns | Swiss Francs |
|--------------|-----------------|----------------|--------------|---------------|----------------|--------------|
| 35,000,000.— | 2,515,000,000.— | 12,000,000.—.— | 73,000,000.— | 110,000,000.— | 110,000,000.— | 92,000,000.— |
| 33,188,700.— | 2,402,034,000.— | 11,352,300.—.— | 68,780,300.— | 105,086,000.— | 104,101,000.— | 87,131,000.— |
| 959,837.99 | 59,372,668.62 | 419,129.17.10 | 855,284.87 | 2,999,461.75 | 4,124,675.38 | 2,502,246.93 |
| 907,377.40 | 67,030,605.24 | — | 1,807,561.76 | 2,861,862.93 | — | 2,929,519.50 |
| 196,012.97 | 13,842,761.50 | — | 412,641.22 | 654,001.15 | — | 513,749.36 |
| 1,900.28 | 226,639.63 | — | 6,241.39 | 9,818.20 | — | 104,391.87 |
| 1,311.23 | 173,293.85 | — | 751.78 | 5,195.09 | 2.20 | 44.57 |
| — | — | 551,232.18. 6 | — | — | 5,388,187.04 | — |
| 2,066,439.87 | 140,645,968.84 | 970,362.16. 4 | 3,082,481.02 | 6,530,339.12 | 9,512,864.62 | 6,049,952.23 |
| 917,165.61 | 67,322,505.31 | 405,810. 1. 4 | 1,768,826.90 | 2,904,533.70 | 5,035,204.82 | 3,271,816.70 |
| 212,689.44 | 14,885,215.09 | 96,694.17. 6 | 451,886.29 | 652,362.— | 1,003,758.39 | 563,075.— |
| 3,883.75 | 351,943.55 | 1,380.12.— | 7,813.12 | 14,022.— | 12,930.19 | 108,260.57 |
| — | — | — | — | — | — | — |
| 736.07 | 516.32 | — | 15.66 | 1,642.97 | — | 508.82 |
| 923,895.79 | 57,361,283.55 | 466,368.—. 3 | 836,386.15 | 2,931,087.50 | 3,460,936.25 | 2,085,500.05 |
| 8,069.21 | 724,505.02 | 109. 5. 3 | 17,552.90 | 26,690.95 | 34.97 | 20,791.09 |
| 2,066,439.87 | 140,645,968.84 | 970,362.16. 4 | 3,082,481.02 | 6,530,339.12 | 9,512,864.62 | 6,049,952.23 |

TRUSTEE FOR THE AUSTRIAN

Statement of Receipts and Payments

Receipts

| | American Issue \$ | British and Dutch Issues £ |
|---|-------------------------|----------------------------------|
| 1. BANK BALANCES as at July 1, 1931 | 881,073.20 | 123,254.19. 5 |
| 2. RECEIVED FROM THE AUSTRIAN GOVERNMENT | | |
| Cash in respect of: | | |
| Interest coupons | 1,683,106.05 | 235,283. 9.10 |
| Bond redemptions | 43,892.01 | 8,271.13. 7 |
| Expenses | 6,693.91 | 1,060.12. 5 |
| Bonds in respect of: | | |
| Accrued interest (see below) | 9,122.95 | 1,270.18. 8 |
| Capital (see below) | 363,695.99 | 48,764. 6. 5 |
| 3. INTEREST RECEIVED on cash employed pending application to service of the Loan | 6,502.77 | 2,106.10. 1 |
| | 2,994,086.88 | 420,012.10. 5 |

Payments

| | | |
|--|--------------|---------------|
| 1. INTEREST | | |
| Matured coupons paid and accrued interest paid on bonds purchased for redemption | 1,705,917.08 | 238,671.14.11 |
| Accrued interest on bonds purchased by the Austrian Government and delivered for cancellation (see above) | 9,122.95 | 1,270.18. 8 |
| 2. REDEMPTION | | |
| Drawn bonds reimbursed | — | — |
| Bonds purchased for redemption by the Paying Agents | 43,736.25 | 8,433. 8.10 |
| Bonds purchased by the Austrian Government and delivered for cancellation (see above) | 363,695.99 | 48,764. 6. 5 |
| 3. EXPENSES | | |
| Commission and expenses of Paying Agents and fees and expenses of Trustee | 5,131.45 | 1,386.14.— |
| 4. BANK BALANCES as at June 30, 1932, held for the purposes shown on Annex XIIb | 866,483.16 | 121,485. 7. 7 |
| | 2,994,086.88 | 420,012.10. 5 |

AUDITORS'

We have audited the Books and Accounts of the Trustee for the Austrian Government International and Disbursements is correctly prepared therefrom and properly sets forth the transactions for that

BASLE, August 10, 1932.

GOVERNMENT INTERNATIONAL LOAN 1930

for the Second Loan Year (July 1, 1931 to June 30, 1932)

| Italian Issue Lire | Swedish Issue Sw. Cr. | Swiss Issue Sw. Fr. | Austrian Issue Sch. | General Expenses | |
|--------------------------|-----------------------------|---------------------------|---------------------------|------------------|-----------|
| | | | | £ | Sw. Fr. |
| 3,536,891.34 | 158,036.02 | 885,660.25 | 1,781,276.03 | — | — |
| 6,772,363.44 | 684,559.94 | 1,692,826.46 | 3,370,265.10 | — | — |
| 177,823.50 | 157,115. — | 46,156.49 | 59,983.17 | — | — |
| 31,969. — | 3,054.60 | 8,330.99 | 14,744.95 | 300. —. — | 25,975.60 |
| 27,627.80 | — | 7,540.15 | 12,771.38 | — | — |
| 1,455,666.50 | — | 360,813.51 | 755,024.83 | — | — |
| 20,295.76 | 11,714.58 | 5,694.01 | 37,730.38 | — | — |
| 12,022,637.34 | 1,014,480.14 | 3,007,021.86 | 6,031,795.84 | 300. —. — | 25,975.60 |

| | | | | | |
|---------------|--------------|--------------|--------------|-----------|-----------|
| 6,832,408.55 | 350,000. — | 1,694,051.70 | 3,398,645.53 | — | — |
| 27,627.80 | — | 7,540.15 | 12,771.38 | — | — |
| — | 151,410. — | — | — | — | — |
| 182,821. — | — | 48,839.35 | 60,412.70 | — | — |
| 1,455,666.50 | — | 360,813.51 | 755,024.83 | — | — |
| 38,754.80 | 3,683.75 | 8,882.34 | 17,289.62 | 300. —. — | 25,975.60 |
| 3,485,358.69 | 509,386.39 | 886,894.81 | 1,787,651.78 | — | — |
| 12,022,637.34 | 1,014,480.14 | 3,007,021.86 | 6,031,795.84 | 300. —. — | 25,975.60 |

CERTIFICATE

Loan 1930 for the second fiscal year ending June 30, 1932 and certify that the above Statement of Receipts year. We have also verified the bank balances on hand at June 30, 1932 by certificates from the depositaries.

PRICE, WATERHOUSE & Co.
Chartered Accountants.

TRUSTEE FOR THE AUSTRIAN

Statement of Funds in the hands

The Cash Balances as at June 30, 1932 were held for the following purposes:—

1. To meet (a) unrepresented matured coupons
(b) Interest coupons maturing on July 1, 1932
2. To discharge expenses accrued to June 30, 1932, but not claimed until thereafter
Funds on hand for liquidation of accrued or accruing liabilities
3. Available for bond redemptions
4. Surplus funds on hand at June 30, 1932 to be applied in reduction of sums to be received from the Austrian Government in the third Loan year
- Total balances on hand as per Statement of Receipts and Payments — Annex XIIa

Statement of Bonds outstanding

Nominal value of bonds issued
Less: Nominal value of bonds redeemed during:—
1. First Loan year
2. Second Loan year
Nominal value of bonds outstanding as at June 30, 1932 (see note below)

NOTE: When drawn for redemption,

GOVERNMENT INTERNATIONAL LOAN 1930

of Depositaries as at June 30, 1932

| American Issue \$ | British and Dutch Issues £ | Italian Issue Lire | Swedish Issue Sw. Cr. | Swiss Issue Sw. Fr. | Austrian Issue Sch. |
|-------------------------|----------------------------------|--------------------------|-----------------------------|---------------------------|---------------------------|
| 8,438.50 | 1,486. 5. 5 | 37,124.50 | — | 25,235.— | 46,956.— |
| 832,240.50 | 116,588.10.— | 3,359,615.— | 344,855.— | 838,215.— | 1,688,295.— |
| 2,160.64 | 2 | 17,055.20 | 1,915.63 | 4,317.86 | 8,441.50 |
| 842,839.64 | 118,074.15. 7 | 3,413,794.70 | 346,770.63 | 867,767.86 | 1,743,692.50 |
| 190.58 | 7. 6. 7 | 39.70 | 157,675.— | 250.75 | 30.70 |
| 23,452.94 | 3,403. 5. 5 | 71,524.29 | 4,940.76 | 18,876.20 | 43,928.58 |
| 866,483.16 | 121,485. 7. 7 | 3,485,358.69 | 509,386.39 | 886,894.81 | 1,787,651.78 |

as at June 30, 1932

| | | | | | |
|------------|-----------|-------------|------------|------------|------------|
| 25,000,000 | 3,500,000 | 100,000,000 | 10,000,000 | 25,000,000 | 50,000,000 |
| 408,400 | 56,800 | 1,630,000 | — | 387,000 | 789,400 |
| 813,300 | 112,100 | 2,381,000 | 147,000 | 664,000 | 973,600 |
| 23,778,300 | 3,331,100 | 95,989,000 | 9,853,000 | 23,949,000 | 48,237,000 |

bonds are repayable at 103 per cent.

TRUSTEE FOR THE AUSTRIAN

Interim Statement of Receipts and Payments

| | Dollars |
|--|--------------|
| Nominal amount originally issued | 25,000,000.— |
| Nominal amount outstanding as at January 3, 1933 | 23,777,900.— |
| RECEIPTS | |
| 1. BANK BALANCES as at July 1, 1932 | 866,483.16 |
| 2. RECEIVED FROM THE AUSTRIAN GOVERNMENT in respect of: | |
| Interest coupons | 812,226.50 |
| Bond redemptions | — |
| Expenses | — |
| 3. INTEREST RECEIVED on cash employed pending application to service of the Loan | 60.73 |
| | 1,678,770.39 |
| PAYMENTS | |
| 1. INTEREST | |
| Matured coupons paid and accrued interest paid on bonds purchased for redemption | 1,082,729.28 |
| 2. REDEMPTION | |
| Drawn bonds reimbursed | — |
| Bonds purchased for redemption | 160.— |
| 3. EXPENSES | |
| Commission and expenses of Paying Agents and fees and expenses of Trustee | 2,331.53 |
| 4. BANK BALANCES as at January 3, 1933, in respect of: | |
| Interest coupons | — |
| Bond redemptions | 30.58 |
| Matured coupons unrepresented | 590,180.50 |
| Miscellaneous items | 3,338.50 |
| | 1,678,770.39 |

NOTE—This statement is carried to January 3, 1933, so as to include the amounts therefrom, in respect of the interest coupon dated January 1, 1933.

GOVERNMENT INTERNATIONAL LOAN 1930

for the period from July 1, 1932 to January 3, 1933 (see Note)

| Sterling | Lire | Swedish Crowns | Swiss Francs | Schillings |
|---|---|---|--|--|
| 3,500,000.—.— 3,331,100.—.— | 100,000,000.— 95,989,000.— | 10,000,000.— 9,700,000.— | 25,000,000.— 23,949,000.— | 50,000,000.— 47,657,000.— |
| 121,485. 7. 7 114,188.10.— — — 16. 9. 3 | 3,485,358.69 3,309,615.— — — 283.84 | 509,386.39 341,855.— — — 1,604.13 | 886,894.81 838,215.— — — 28.95 | 1,787,651.78 1,927,200.52 515,176.65 8,709.40 13,574.72 |
| 235,690. 6.10 | 6,795,257.53 | 852,845.52 | 1,725,138.76 | 4,252,313.07 |
| 193,324.—.— — — 889. 5. 5 — 7. 6. 7 41,339. 5. 5 130. 9. 5 | 3,343,231.50 — — 18,113.70 — 39.70 3,413,123.— 20,749.63 | 689,710.— 157,590.— — 3,723.86 — 85.— — 1,736.66 | 833,245.— — — 16,707.26 — 250.75 868,420.— 6,515.75 | 2,558,729.85 — 422,773.70 17,974.14 281,382.50 92,433.65 855,620.50 23,398.73 |
| 235,690. 6.10 | 6,795,257.53 | 852,845.52 | 1,725,138.76 | 4,252,313.07 |

received on January 2, 1933 (for the United States on January 3, 1933) and the payments

INTERNATIONAL LOANS

FOR WHICH THE BANK IS TRUSTEE OR FISCAL AGENT FOR THE TRUSTEES

Funds on hand as at March 31, 1933

| | German External Loan 1924 | German Govt. International 5½% Loan 1930 | Austrian Govt. International Loan 1930 | Total |
|---|------------------------------|--|--|----------------------|
| FUNDS AVAILABLE FOR:— | Swiss francs at par | | | |
| Redemption by purchases on the market when possible or through the next drawing | 164,140.03 | 101,850.64 | 11,589.19 | 277,579.86 |
| Interest in respect of the next coupon falling due | 25,441,547.26 | 31,862,635.70 | 611,533.06 | 57,915,716.02 |
| Expenses | 56,781.15 | 88,200.78 | 14,839.87 | 159,821.80 |
| Drawn bonds not yet presented for re- demption | 17,293.38 | — | — | 17,293.38 |
| Interest coupons due but unrepresented | 350,129.74 | 756,494.85 | 599,689.27 | 1,706,313.86 |
| TOTAL . . | 26,029,891.56 | 32,809,181.97 | 1,237,651.39 | 60,076,724.92 |

ANNEX XV

EXTRACTS FROM REFERENCES MADE TO THE FUTURE WORK OF THE BANK FOR INTERNATIONAL SETTLEMENTS IN THE DRAFT ANNOTATED AGENDA FOR THE MONETARY AND ECONOMIC CONFERENCE, SUBMITTED BY THE PREPARATORY COMMISSION OF EXPERTS ON JANUARY 19, 1933.

I. MONETARY AND CREDIT POLICY.

.....

2. Currency Policy to be followed prior to such a General Restoration of the Gold Standard.

.....

(c) Countries which have introduced exchange restrictions, whether they have abandoned the gold standard or not:

(i) It is desirable that these restrictions should be totally abolished as early as possible. It is realised, however, that this ultimate aim cannot in all cases be immediately attained. In such circumstances, the restrictions applied to foreign trade should be relaxed or abolished in the first instance, even though it may be necessary to maintain them for a time with regard to capital movements. (This whole question is referred to more fully in Section III, 1.)

(ii) Such relaxation may, in certain cases where the external value of the currency has depreciated, necessitate the abandonment of existing parities. In a number of countries, exchange restrictions would seem to defeat their own end; for, whenever the official rate of exchange is maintained at a higher level than the economic rate, a form of import premium is given to all importers and a form of export duty imposed on all exporters. Experience seems to have proved that, when a careful policy of gradually relaxing restrictions is pursued, internal confidence in the currency can be maintained, although, of course, in such circumstances, the necessity of effecting budgetary equilibrium and of resisting inflationary tendencies will prove to be of paramount importance. In such cases, it would seem particularly valuable to maintain close relationship between these countries, the Financial Organisation of the League and the Bank for International Settlements, in order to devise and apply the appropriate policy in each case.

.....

3. Functioning of the Gold Standard.

It is important that any declarations in favour of the restoration of an international gold standard should, at the same time, indicate certain essential principles for its proper functioning under modern conditions.

.....

It is not our intention to suggest that anything should be done which would in any way limit the freedom of action and reduce the responsibility of Central Banks in determining monetary policy. The following statement is in full agreement with the report of the Gold Delegation, which we endorse. This report has also been endorsed by the Board of the Bank for International Settlements. The Governments will no doubt find opportunity to consult their Central Banks on these questions before taking their final decision at the Conference.

.....

(ii) The Gold Exchange Standard. — In addition to those countries which allow foreign exchange to be included in their legal reserve requirements, Central Banks in nearly all countries supplement their gold holdings with foreign short-term assets in order to be able to influence the exchange more directly and more speedily than by gold exports. In some cases, Central Banks also employ those assets to influence their internal money markets.

This system as practised in recent years, particularly when it has involved the maintenance of very considerable exchange holdings, has not worked without revealing some grave defects. The exceptional circumstances of these years undoubtedly contributed to an undue accumulation of foreign balances in particular markets. We think that these defects may be overcome partly by the better working of the gold standard itself and partly by special improvements which would provide for a system more centralised and subject to more effective control. We are of the opinion that this system of holding foreign exchange balances, if properly controlled, may for many countries hasten their return to an international standard and will form an essential feature in the permanent financial arrangements of the countries which have no highly developed capital markets. It is very desirable that foreign exchange holdings in Central Banks should be invested with or through the Central Bank of the currency concerned or with the Bank for International Settlements. This is all the more important, because it is, in our opinion, imperative that Central Banks should have a complete knowledge of all the operations of other Central Banks on their markets. Moreover, it is important that each Central Bank which employs foreign exchange balances should take all necessary measures in order to secure itself against the risks of foreign investments.

.

(c) Co-operation of Central Banks in Credit Policy.

The Conference will no doubt wish to emphasise the great importance to be attached to the maintenance of close relationship between Central Banks which will permit them to take account of both national and international considerations when framing their policy. While the responsibility of each one of them for the measures taken on their own markets must be left unimpaired, continuous consultations between them should help to co-ordinate the policy pursued in the various centres and may indeed enable the intervention of an individual Bank to become more effective if supported from abroad.

The Bank for International Settlements represents a new agency for Central Banks and should be able to play an increasingly important part, not only by improving contact, but also as an instrument for common action, of which several indications can be found in this document.

In this connection, we draw the attention to point 5 of the resolution which the Board of the Bank for International Settlements, at its meeting on July 11th, 1932, unanimously adopted. The Board declared itself in substantial agreement with the conclusions of the final report of the Gold Delegation of the League of Nations of June 1932. These conclusions were considered by the Board as forming a starting-point for the elaboration of monetary principles which may be given practical application in future.

We attach great importance to this declaration and to the pursuance of consultations among Central Banks, particularly with a view to achieving the object, as stated in the report of the Gold Delegation, of checking undue fluctuations in the purchasing power of gold. We are convinced, as were the Gold Delegation, that action must be based on

international understanding and co-operation. The prospects of the general restoration of the gold standard and of its successful working in the future appear to depend in large measure on progress in this field.

.

III. RESUMPTION OF THE MOVEMENT OF CAPITAL.

.

3. Capital Movements.

The resumption of the movement of capital throughout the world — in other words, the re-establishment of international financing — should be effected through the normal credit channels. The creation of a special credit institution may be expected to promote this resumption. There is no doubt that, as soon as the world situation again becomes normal, credit will begin to operate as in the past. It will be asked for, granted or refused by the usual means. It should be noted that available credit has not disappeared. On the contrary, there is an abundant supply, but, for the reasons mentioned above, it is not being used. In view of past experience it would, however, be desirable to encourage the exchange of information as to the volume and movement of short-term credits.

At the same time, the resumption of lending may prove to be slow if no organised international action is taken to stimulate it. A number of projects have been discussed on various occasions.

Among the suggestions brought to the Committee's notice is the establishment of a Monetary Normalisation Fund, which was contemplated at the Stresa Conference.

It might, in fact, happen that, after all the foregoing recommendations had been applied, the responsible public authorities might still be reluctant to re-establish the freedom of exchange transactions, in which case even a moderate amount of assistance from outside might help to restore their confidence and that of the public as well.

In view of the fact that the object of the establishment of such a fund is to facilitate monetary normalisation, the Bank for International Settlements would appear to be the most appropriate body to administer this fund, since it is desirable to avoid any political influence in its administration.

This idea of special assistance proving necessary to restart the financial machine, which has been at a standstill for so long, has been further developed in the course of our deliberations. The suggestion has been made that help might be given by means of the establishment of an International Credit Institute, which would derive its funds either from the Banks of Issue or from private sources, the support of the Governments being provided in both cases, as would also be necessary in the case of the Monetary Normalisation Fund.

Obviously, an institution of this kind — the object of which would be to set in motion capital which is at present lying idle — should grant new credits only under sound conditions and subject to strict supervision with a view to preventing any inflation. It should not refund the old credits ("frozen" credits) referred to above. It is also obvious that this institute should be free from any political influence, and it might be affiliated to or administered by the Bank for International Settlements. If this idea meets with the approval of the Governments, we suggest that the question should be gone into more fully.

.

TEXT OF ARTICLE 1 OF THE LAUSANNE AGREEMENT WITH GERMANY
OF JULY 9, 1932.

The German Government shall deliver to the Bank for International Settlements German Government 5% redeemable bonds, to the amount of three milliard reichsmarks gold of the present standard of weight and fineness, to be negotiated under the following arrangements:—

- (1) The Bank for International Settlements shall hold the bonds as trustee.
- (2) The Bonds shall not be negotiated by the Bank for International Settlements before the expiry of three years from the signature of the present Agreement. Fifteen years after the date of the said signature the Bonds which the Bank for International Settlements has not been able to negotiate shall be cancelled.
- (3) After the above period of three years the Bank for International Settlements shall negotiate the Bonds by means of public issues on the markets as and when possible, in such amounts as it thinks fit, provided that no issue shall be made at a rate below 90%.

The German Government shall have the right at any time to redeem at par, in whole or in part, the Bonds not yet issued by the Bank for International Settlements. In determining the terms of issue of the Bonds, the Bank for International Settlements shall take into account the desirability of giving to the German Government the right to redeem the Bonds after a reasonable period.

- (4) The Bonds shall carry interest at 5% and sinking fund at 1% as from the date on which they are negotiated. They shall be free of all German taxes, present and future.
- (5) The proceeds of the Bonds, as and when issued, shall be placed to a special account, the allocation of which shall be settled by a further agreement in due course between the Governments, other than Germany, signatory to the present Agreement.
- (6) If any foreign loan is issued by the German Government, or with its guarantee, at any time after the coming into force of the present Agreement, the German Government shall offer to apply up to the equivalent of one-third of the net cash proceeds of the loan raised to the purchase of Bonds held by the Bank for International Settlements. The purchase price shall be such that the net yield on the Bonds so purchased would be the same as the net yield of the loan so raised. This paragraph does not refer to loans for a period of not more than twelve months.
- (7) If, after five years from the signature of the present Agreement, the Bank for International Settlements considers that the credit of the German Government is restored, but the quotations of its loans remain none the less below the minimum price of issue fixed under paragraph (3) above, the minimum price may be varied by a decision of the Board of the Bank for International Settlements, which decision shall require a two-thirds majority.

Further, at the request of the German Government, the rate of interest may be reduced below 5 % if issues can be made at par.

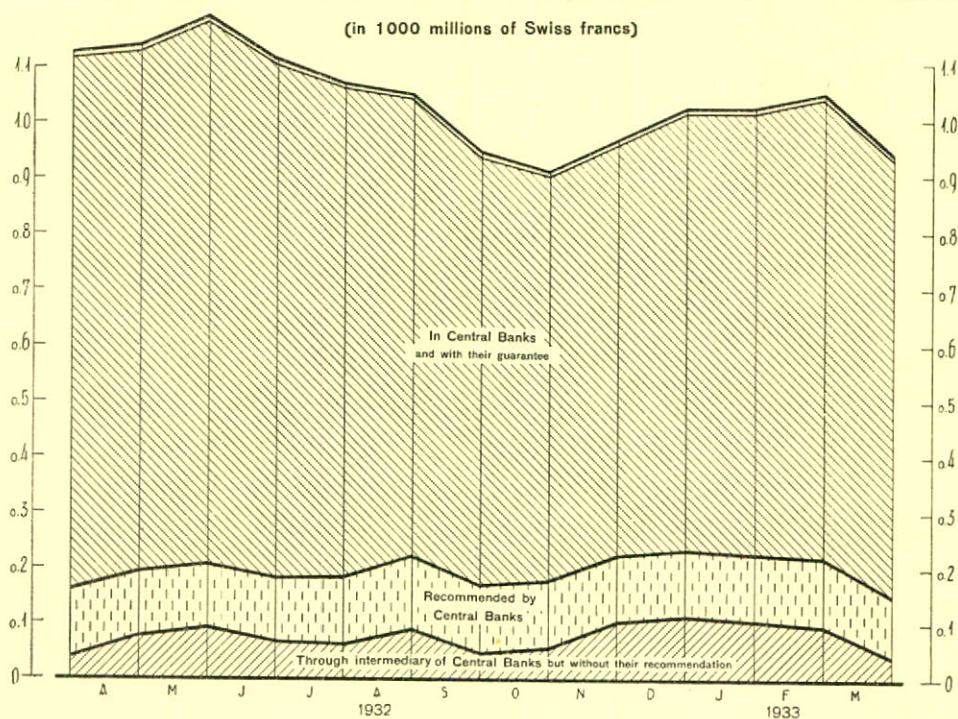
- (8) The Bank for International Settlements shall have power to settle all questions as to the currency and denomination of bonds issued, and also all questions as to charges and costs of issue, which it shall have the right to deduct from the proceeds of the issue. In considering any questions relating to the issue of Bonds, the Board of the Bank for International Settlements shall take the advice of the President of the Reichsbank, but decisions may be made by a majority vote.

TABLE SHOWING DISCOUNT RATES IN FORCE AT THE CLOSE OF THE SECOND AND THIRD FISCAL YEARS OF THE 28 CENTRAL BANKS WITH WHICH THE BANK FOR INTERNATIONAL SETTLEMENTS MAINTAINS RELATIONS

| Central Bank of: | Rate in force on March 31, 1932 | Rate in force on March 31, 1933 |
|--------------------------|------------------------------------|------------------------------------|
| | % | % |
| Albania | 8 | 8 |
| Austria | 7 | 5 |
| Belgium | 3½ | 3½ |
| Bulgaria | 9½ | 8 |
| Czechoslovakia | 6 | 3½ |
| Danzig | 5 | 4 |
| Denmark | 5 | 3½ |
| Estonia | 5½ | 5½ |
| Finland | 7 | 6 |
| France | 2½ | 2½ |
| Germany | 6 | 4 |
| Great Britain | 3½ | 2 |
| Greece | 11 | 9 |
| Hungary | 7 | 4½ |
| Italy | 6 | 4 |
| Japan | 5.84 | 4.38 |
| Latvia | 6 | 5½ |
| Lithuania | 7½ | 7 |
| Netherlands | 3 | 2½ |
| Norway | 5 | 4 |
| Poland | 7½ | 6 |
| Portugal | 7 | 6 |
| Rumania | 7 | 7 |
| Sweden | 5 | 3½ |
| Switzerland | 2 | 2 |
| Turkey | 8 | 7 |
| U. S. A. | 3 | 3½ |
| Yugoslavia | 7½ | 7½ |

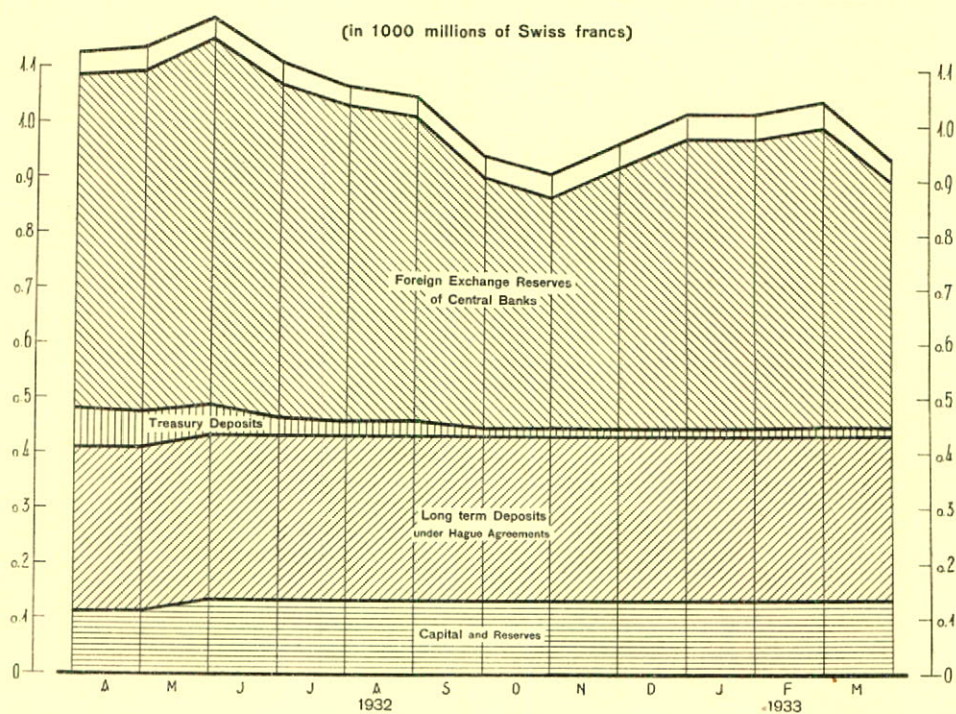
ASSETS OF THE BANK CLASSIFIED ACCORDING TO CATEGORIES OF INVESTMENTS

(in 1000 millions of Swiss francs)



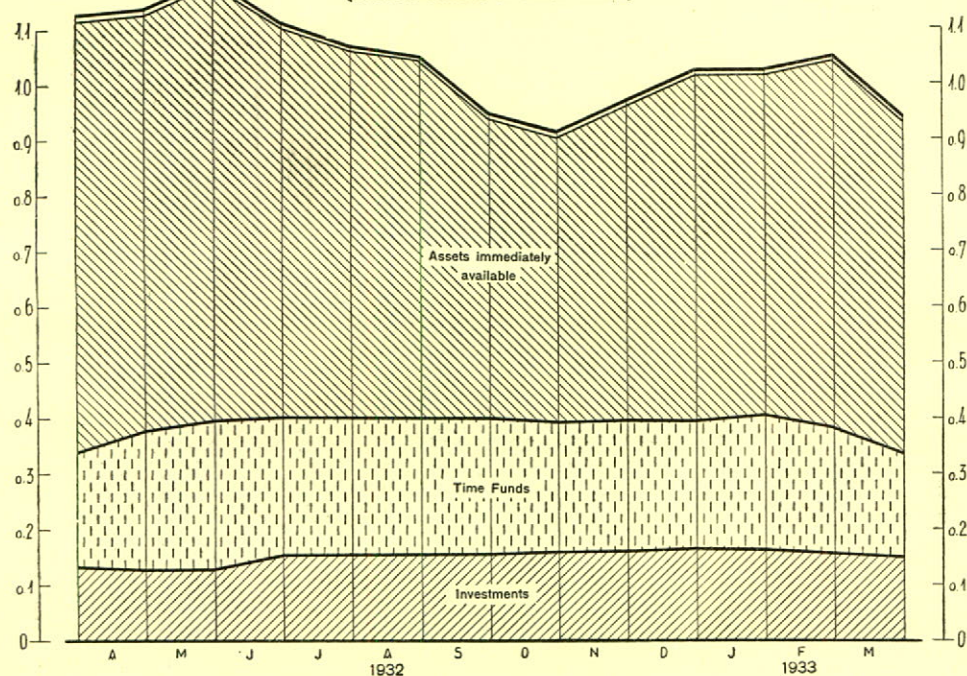
LIABILITIES OF THE BANK CLASSIFIED ACCORDING TO SOURCES

(in 1000 millions of Swiss francs)



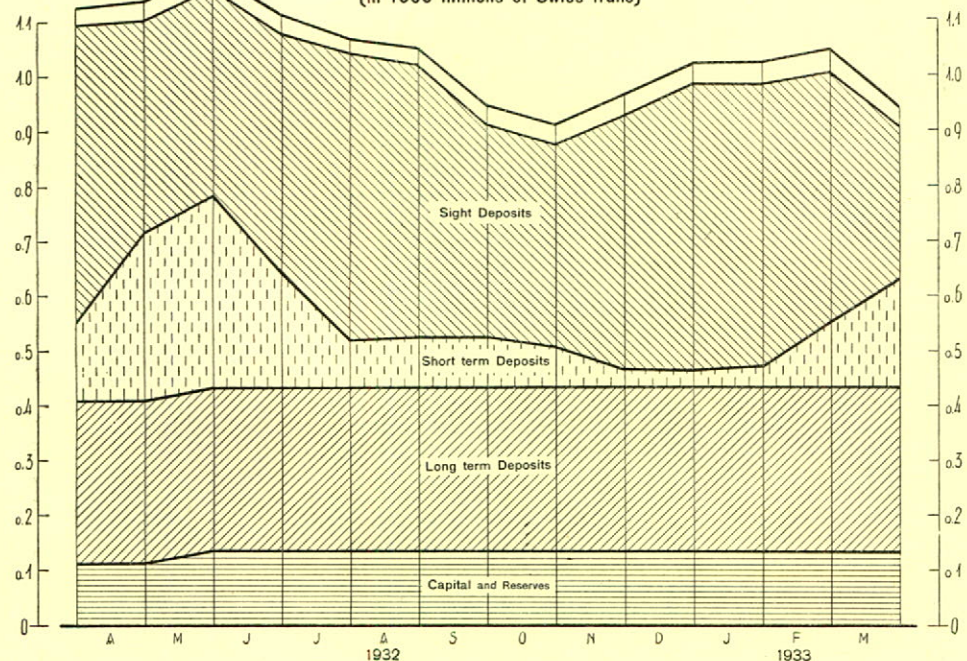
ASSETS OF THE BANK CLASSIFIED ACCORDING TO LIQUIDITY*

(in 1000 millions of Swiss francs)



LIABILITIES OF THE BANK CLASSIFIED ACCORDING TO MATURITIES

(in 1000 millions of Swiss franc)



* "Assets immediately available" contains sight funds, rediscountable portfolio and currently marketable treasury bills.

"Time funds" includes monetary credits to central banks renewed by the Bank for successive terms not exceeding three months each.

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