

DEBT FUNDING

*Agreement and exchange of notes signed at Washington June 23,
1930*

Operative from September 1, 1929

*Modified by agreement of May 26, 1932*¹

Treasury Department print

AGREEMENT

MADE THE 23RD DAY OF JUNE, 1930, AT THE CITY OF WASHINGTON, DISTRICT OF COLUMBIA, BETWEEN THE GOVERNMENT OF THE GERMAN REICH, HEREINAFTER CALLED GERMANY, PARTY OF THE FIRST PART, AND THE GOVERNMENT OF THE UNITED STATES OF AMERICA, HEREINAFTER CALLED THE UNITED STATES, PARTY OF THE SECOND PART.

WHEREAS, Germany is obligated under the provisions of the Armistice Convention signed November 11, 1918,² and of the Treaty signed at Berlin, August 25, 1921,³ to pay to the United States the awards, and interest thereon, entered and to be entered in favor of the United States Government and its nationals by the Mixed Claims Commission, United States and Germany, established in pursuance of the Agreement of August 19, 1922;⁴ and

WHEREAS, the United States is also entitled to be reimbursed for the costs of its Army of Occupation; and

WHEREAS, Germany having made and the United States having received payments in part satisfaction on account of these two obligations desire to make arrangements for the complete and final discharge of said obligations;

Now, THEREFORE, in consideration of the premises and the mutual covenants herein contained, it is agreed as follows:

1. *Amounts to be Paid.* (a) Germany shall pay and the United States shall accept in full satisfaction of all of Germany's obligations remaining on account of awards, including interest thereon, entered and to be entered by the Mixed Claims Commission, United States and Germany, the sum of 40,800,000 reichsmarks for the period of September 1, 1929, to March 31, 1930, and the sum of 40,800,000 reichsmarks per annum from April 1,

¹ *Post*, p. 225. For provisions concerning settlement of the obligations of the Federal Republic of Germany under the agreement of June 23, 1930, and deferral of settlement of other indebtedness under that agreement, see agreement of Feb. 27, 1953, for settlement of indebtedness of Germany for awards by the Mixed Claims Commission (4 UST 908; TIAS 2796).

² *Ante*, vol. 2, p. 9.

³ TS 658, *ante*, p. 145.

⁴ TS 665, *ante*, p. 149.

1930, to March 31, 1981. As evidence of this indebtedness, Germany shall issue to the United States at par, as of September 1, 1929, bonds of Germany, the first of which shall be in the principal amount of 40,800,000 reichsmarks, dated September 1, 1929, and maturing March 31, 1930, and each of the others of which shall be in the principal amount of 20,400,000 reichsmarks, dated September 1, 1929, and maturing serially on September 30, 1930, and on each succeeding March 31 and September 30 up to and including March 31, 1981. The obligations of Germany hereinabove set forth in this paragraph shall cease as soon as all of the payments contemplated by the Settlement of War Claims Act of 1928 ⁵ have been completed and the bonds not then matured evidencing such obligations shall be canceled and returned to Germany.

(b) Germany shall pay and the United States shall accept in full reimbursement of the amounts remaining due on account of the costs of the United States Army of Occupation, the amounts set forth on the several dates fixed in the following schedule:

March 31—		September 30—	
	R. M.		R. M.
1930	25,100,000	1930	12,750,000
1931	12,750,000	1931	12,650,000
1932	12,650,000	1932	12,650,000
1933	12,650,000	1933	9,300,000
1934	9,300,000	1934	9,300,000
1935	9,300,000	1935	9,300,000
1936	9,300,000	1936	9,300,000
1937	9,300,000	1937	8,200,000
1938	8,200,000	1938	8,200,000
1939	8,200,000	1939	9,300,000
1940	9,300,000	1940	9,300,000
1941	9,300,000	1941	12,650,000
1942	12,650,000	1942	12,650,000
1943	12,650,000	1943	12,650,000
1944	12,650,000	1944	12,650,000
1945	12,650,000	1945	12,650,000
1946	12,650,000	1946	12,650,000
1947	12,650,000	1947	12,650,000
1948	12,650,000	1948	12,650,000
1949	12,650,000	1949	17,650,000
1950	17,650,000	1950	17,650,000
1951	17,650,000	1951	17,650,000
1952	17,650,000	1952	17,650,000
1953	17,650,000	1953	17,650,000
1954	17,650,000	1954	17,650,000
1955	17,650,000	1955	17,650,000
1956	17,650,000	1956	17,650,000
1957	17,650,000	1957	17,650,000
1958	17,650,000	1958	17,650,000
1959	17,650,000	1959	17,650,000
1960	17,650,000	1960	17,650,000
1961	17,650,000	1961	17,650,000
1962	17,650,000	1962	17,650,000
1963	17,650,000	1963	17,650,000
1964	17,650,000	1964	17,650,000
1965	17,650,000	1965	17,650,000
1966	17,650,000		

⁵ 45 Stat. 254.

As evidence of this indebtedness, Germany shall issue to the United States at par, as of September 1, 1929, bonds of Germany, dated September 1, 1929, and maturing on March 31, 1930, and on each succeeding September 30 and March 31 in the amounts and on the several dates fixed in the preceding schedule.

2. *Form of Bonds.* All bonds issued hereunder to the United States shall be payable to the Government of the United States of America and shall be signed for Germany by the Reichsschuldenverwaltung. The bonds issued for the amounts to be paid under Paragraph numbered 1 (a) of this Agreement shall be issued in 103 pieces with maturities and in denominations corresponding to the payments therein set forth and shall be substantially in the form set forth in "Exhibit A" hereto annexed and shall bear no interest, unless payment thereof is postponed pursuant to Paragraph numbered 5 of this Agreement. The bonds issued for the amounts to be paid under Paragraph numbered 1 (b) of this Agreement shall be issued in 73 pieces with maturities and in denominations corresponding to the payments therein set forth and shall be substantially in the form set forth in "Exhibit B" hereto annexed and shall bear no interest unless payment thereof is postponed pursuant to Paragraph numbered 5 of this Agreement.

3. *Method of Payment.* All bonds issued hereunder shall be payable both principal and interest, if any, at the Federal Reserve Bank of New York for credit in the general account of the Treasurer of the United States in funds immediately available on the date when payment is due in United States gold coin in an amount in dollars equivalent to the amount due in reichsmarks, at the average of the middle rates prevailing on the Berlin Bourse, during the half monthly period preceding the date of payment. Germany undertakes to have the Reichsbank certify to the Federal Reserve Bank of New York on the date of payment the rate of exchange at which the transfer shall be made. Germany undertakes for the purposes of this Agreement that the reichsmark shall have and shall retain its convertibility into gold or devisen as contemplated in Section 31 of the present Reichsbank law and that for these purposes the reichsmark shall have and shall retain a mint parity of 1/2790 kilogram of fine gold as defined in the German coinage law of August 30, 1924.

4. *Security.* The United States hereby agrees to accept the full faith and credit of Germany as the only security and guaranty for the fulfillment of Germany's obligations hereunder.

5. *Postponement of Payment.* Germany, at its option, upon not less than ninety days' advance notice in writing to the United States, may postpone any payment on account of principal falling due as hereinabove provided, to any subsequent September 30 or March 31 not more than two and one-half years distant from its due date, but only on condition that in case Germany shall at any time exercise this option as to any payment of principal, the two payments falling due in the next succeeding twelve months cannot

be postponed to any date more than two years distant from the date when the first payment therein becomes due unless and until the payments previously postponed shall actually have been made, and the two payments falling due in the second succeeding twelve months cannot be postponed to any date more than one year distant from the date when the first payment therein becomes due unless and until the payments previously postponed shall actually have been made, and further payments cannot be postponed at all unless and until all payments of principal previously postponed shall actually have been made. All payments provided for under Paragraph numbered 1 (a) of this Agreement so postponed shall bear interest at the rate of 5% per annum, payable semiannually, and all payments provided for under Paragraph numbered 1 (b) of this Agreement so postponed shall bear interest at the rate of 3½% per annum, payable semiannually.

6. *Payments before Maturity.* Upon not less than 90 days' advance notice in writing to the United States and the approval of the Secretary of the Treasury of the United States, Germany may, on March 31 or September 30 of any year, make advance payments on account of any bonds issued under this Agreement and held by the United States. Any such advance payments shall be applied to the principal of such bonds as may be indicated by Germany at the time of the payment.

7. *Exemption from Taxation.* The principal and interest, if any, of all bonds issued hereunder shall be paid without deduction for, and shall be exempt from, any and all taxes or other public dues, present or future, imposed by or under authority of Germany or any political or local taxing authority within Germany.

8. *Notices.* Any notice from or by Germany shall be sufficient if delivered to the American Embassy at Berlin or to the Secretary of the Treasury at the Treasury of the United States in Washington. Any notice, request or consent under the hand of the Secretary of the Treasury of the United States shall be deemed and taken as the notice, request or consent of the United States and shall be sufficient if delivered at the German Embassy at Washington or at the office of the German Ministry of Finance at Berlin. The United States in its discretion may waive any notice required hereunder, but any such waiver shall be in writing and shall not extend to or affect any subsequent notice or impair any right of the United States to require notice hereunder.

9. *Compliance with Legal Requirements.* Germany and the United States, each for itself, represents and agrees that the execution and delivery of this Agreement have in all respects been duly authorized, and that all acts, conditions, and legal formalities which should have been completed prior to the making of this Agreement have been completed as required by the laws of Germany and of the United States respectively and in conformity therewith.

10. *Counterparts.* This Agreement shall be executed in two counterparts, each of which shall be in the English and German languages, both texts having equal force and each counterpart having the force and effect of an original.

IN WITNESS WHEREOF, Germany has caused this Agreement to be executed on its behalf by its Ambassador Extraordinary and Plenipotentiary at Washington thereunto duly authorized, and the United States has likewise caused this Agreement to be executed on its behalf by the Secretary of the Treasury, with the approval of the President, pursuant to the Act of Congress approved June 5, 1930,⁶ all on the day and year first above written.

THE GERMAN REICH
By
F. VON PRITTWITZ UND GAFFRON
Ambassador Extraordinary and Plenipotentiary

THE UNITED STATES OF AMERICA
By
A. W. MELLON
Secretary of the Treasury

Approved:

HERBERT HOOVER,
President

EXHIBIT A
(Form of Bond)

THE GERMAN REICH

R. M. _____

No. _____

The German Reich, hereinafter called Germany, in consideration of the premises and the mutual covenants contained in an Agreement dated June 23, 1930, between it and the United States of America, hereby promises to pay to the Government of the United States of America, hereinafter called the United States, on _____, the sum of _____ Reichsmarks (R. M. _____). This bond is payable at the Federal Reserve Bank of New York in gold coin of the United States of America in an amount in dollars equivalent to the amount due in reichsmarks at the average of the middle rates prevailing on the Berlin Bourse during the half monthly period preceding the date of payment.

This bond is payable without deduction for, and is exempt from, any and all taxes and other public dues, present or future, imposed by or under authority of Germany or any political or local taxing authority within Germany.

This bond is issued pursuant to the provisions of paragraph numbered 1 (a) of an Agreement dated June 23, 1930, between Germany and the United States, to which Agreement this bond is subject and to which reference is hereby made.

In witness whereof, Germany has caused this bond to be executed on its behalf by The Reichsschuldenverwaltung and delivered at the City of Washington, District of Columbia,

⁶ 46 Stat. 500.

by its Ambassador Extraordinary and Plenipotentiary at Washington, thereunto duly authorized, as of September 1, 1929.

FOR THE GERMAN REICH
THE REICHSSCHULDENVERWALTUNG

By

President
Member

EXHIBIT B

(Form of Bond)

THE GERMAN REICH

R. M. -----

No. -----

The German Reich, hereinafter called Germany, in consideration of the premises and the mutual covenants contained in an Agreement dated June 23, 1930, between it and the United States of America, hereby promises to pay to the Government of the United States of America, hereinafter called the United States, on _____, the sum of _____ Reichsmarks (R. M. _____). This bond is payable at the Federal Reserve Bank of New York in gold coin of the United States of America in an amount in dollars equivalent to the amount due in reichsmarks at the average of the middle rates prevailing on the Berlin Bourse during the half monthly period preceding the date of payment.

This bond is payable without deduction for, and is exempt from, any and all taxes and other public dues, present or future, imposed by or under authority of Germany or any political or local taxing authority within Germany.

This bond is issued pursuant to the provisions of paragraph numbered 1 (b) of an Agreement dated June 23, 1930, between Germany and the United States, to which Agreement this bond is subject and to which reference is hereby made.

In witness whereof, Germany has caused this bond to be executed on its behalf by The Reichsschuldenverwaltung and delivered at the City of Washington, District of Columbia, by its Ambassador Extraordinary and Plenipotentiary at Washington, thereunto duly authorized, as of September 1, 1929.

FOR THE GERMAN REICH
THE REICHSSCHULDENVERWALTUNG

By

President
Member

EXCHANGE OF NOTES

NOTES EXCHANGED BETWEEN GERMANY AND THE UNITED STATES SIMULTANEOUSLY WITH THE EXECUTION OF THE AGREEMENT FOR THE COMPLETE AND FINAL DISCHARGE OF THE OBLIGATIONS OF GERMANY TO THE UNITED STATES WITH RESPECT TO THE AWARDS MADE BY THE MIXED CLAIMS COMMISSION, UNITED STATES AND GERMANY, AND FOR THE COSTS OF THE GOVERNMENT'S ARMY OF OCCUPATION

The German Government (The Government of the United States) has the honor to set forth its understanding of paragraph numbered 4 of the Agreement executed this day between the United States and Germany in the following sense:

(a) In respect of the acceptance by the United States of the full faith and credit of Germany as the only security and guaranty for the fulfillment of Germany's obligations under the Agreement, Germany will be in the same position as the principal debtors of the United States under the debt funding agreements which exist between them and the United States.

(b) Nothing contained therein shall be construed as requiring the United States to release any German property which it now holds other than as heretofore or hereafter authorized by the Congress of the United States.

The German Government (The Government of the United States) also desires to expressly recognize, so far as the Agreement executed this day between the United States and Germany is concerned, the prior rights of the holders of the bonds of the German External Loan as provided in the general bond securing the loan dated October 10, 1924.

Bonds numbered 1 in the amounts of R. M. 40,800,000 and R. M. 25,100,000 to be delivered under paragraphs numbered 1 (a) and 1 (b) respectively of the Agreement executed this day between the United States and Germany have been paid in full and when the bonds to be delivered by Germany under this Agreement are received by the United States, bonds numbered 1 will be canceled and marked "paid" and returned to the German Ambassador at Washington for delivery to the German Government.

The United States has received the sum of R. M. 6,800,000 and the sum of R. M. 4,250,000 on account of the bonds numbered 2 to be delivered under paragraphs numbered 1 (a) and 1 (b) respectively of the Agreement executed this day between the United States and Germany. The receipt of these amounts will be evidenced by an endorsement by the United States on the bonds on account of which the sums were received.

The Agreement executed this day between the United States and Germany is substituted for the direct arrangement providing for the realization by the United States of its 2½ per cent share in German payments under the Experts' Plan of 1924.