Paragraph 3 (c). — Payments in Case of War.

The observation has been made that the provisions of Article 14, sub 3 (c), and of Article 17, sub 3, of the proposed Convention, whereby the borrowing Government or the guaranteeing Governments undertake to pay the service of the loan even in time of war, might in certain circumstances be inconsistent with the severance of financial relations contemplated in Article 16 of the Covenant.

The Financial Committee accordingly proposes to insert in the draft the following new article (Article 22 (a)) as the first article of the chapter headed "General Provisions":

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

Ad Article 15.

Choice of Bank.

The Financial Committee proposes that Article 15, paragraph 2, should read:

"... shall deposit to the order of the Trustees with such Bank or other body as the Council, as soon as the Convention comes into force or subsequently, may choose, either an 'Ordinary Guarantee Bond', etc."
Article 17.

1. In the event of a default by the borrowing Government in providing funds to pay the annual service of an authorised loan, the Trustees shall draw on the reserve constituted by application of Article 14, paragraph 3 (b), until that reserve is exhausted. They shall at once notify the default to the Governments whose ordinary guarantees or special guarantees attach to the loan. They shall likewise notify any payments into the reserve.

2. If, thirty days before the date at which a payment for interest or amortisation falls due, the Trustees have neither received from the borrowing Government nor possess in the reserve sufficient funds to make the payment, they shall inform each guarantor Government of the amount of the deficiency and the amount for which it will be liable if the deficiency is not made good. If, twenty days before the due date of the payment, the Trustees still are unable to make it in full, they shall present for payment those coupons of the ordinary guarantee and special guarantee bonds which cover the service payment in question. If the deficiency is not total, the Trustees shall reduce pro rata the amounts which they call upon the guarantor Governments to pay on the said coupons and the coupons shall be endorsed accordingly. If a guarantor Government has not yet deposited its bond as required by Article 15, the Trustees shall nevertheless call upon it and it shall be liable to make the payment due from it.

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

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

Article 18.

If an ordinary guarantor or special guarantor Government fails to meet in full a call by the Trustees by a date not later than ten days before the interest or amortisation payment in question falls due, the Trustees shall charge the said Government, and the Government shall pay to them, compound interest on the amount in arrears at the rate fixed by Article 20. This charge shall be considered as interest due to those special guarantor Governments which met their obligations by the said date, in consideration of the fact that the delay was calculated to retard payment of the sums reimbursable to them, and the sums received shall be paid over to the said special guarantor Governments in proportion to the amount paid by them in excess of their liabilities as ordinary guarantors.

Article 19.

1. The amount of each default by the borrowing Government in meeting a guaranteed payment due on a loan shall constitute a debt of that Government to the Trustees, bearing compound interest, at the rate mentioned in Article 20, as from the date at which the Government was due to provide the Trustees with the funds necessary for the service of the loan.

2. The payments received by the Trustees from the borrowing Government after it has defaulted in meeting the guaranteed service of its loan shall, if necessary, be applied in the first instance to making good any arrears in the guaranteed service of the loan which have occurred, notwithstanding the ordinary guarantees and special guarantees provided by the present Convention, and, secondly, to reconstituting the reserve provided for by Article 14, paragraph 3 (b).
Paragraph 3. — Amendment proposed by the French delegation.

3. The calls which are made by the Trustees upon the ordinary guarantor and special guarantor Governments shall be paid immediately by the said Governments to the Trustees during the whole period for which the loan has been contracted within the limits defined in Article 4. Any further conflict in which certain High Contracting Parties might become involved during this period shall not justify any interruption in the payments. These payments shall be made, in such circumstances, by the guarantor Governments even if eventually as a result of this conflict they are obliged to go to war with the borrowing Government or with any country or countries in which a part of the loan has been issued, and notwithstanding that the holders of any or all of the bonds of the series of the loan in the service of which a default has occurred may be subjects of, or resident in, a country or countries with which the above Governments have been obliged to go to war.”

Paragraph 3. — Proposal by the French delegation.

This amendment being somewhat less clear than the original text, the Financial Committee would prefer to maintain the latter. The French text of the original may, however, be improved by reading in the third line:

“. . . . lesdits gouvernements. Ces versements auront lieu même si ces gouvernements sont en guerre”, etc.

No modification is required in the English text.
Subject to this provision, any amounts not required for meeting the current service of the loan shall be used to reimburse to the special guarantor and ordinary guarantor Governments, with the appropriate interest, the amounts which they have furnished to meet defaults in the service of the loan and which have not been reimbursed to them. Each Government shall be entitled to be reimbursed the sum paid by it in the capacity of an ordinary guarantor with compound interest at the rate mentioned in Article 20, as from the date of its payment to the Trustees. Each special guarantor Government shall, in addition, be entitled to receive the amount paid in excess of its liability as an ordinary guarantor, together with its share of any interest chargeable to other Governments under Article 18. Priority shall be given to reimbursement to the special guarantor Governments of the amounts paid by them in excess of their liabilities as ordinary guarantors, and the sums due in respect of earlier defaults shall be met in full before any payment is made in respect of later defaults. Subject to the above provisions, the reimbursement shall be effected pro rata to the sums due to the various Governments.

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

Article 20.

The compound interest provided for in Articles 18 and 19 shall be calculated half-yearly, and shall be at a rate one per cent higher than the rate of interest payable on the guaranteed loan or, if the loan was issued in several series, on the particular series in the service of which the default occurs.

Article 21.

All questions arising in the execution of Articles 15 to 20 inclusive shall be settled by the Trustees, subject to appeal by any Government concerned to the Council of the League of Nations, whose decision shall be final. The appeal to the Council shall not suspend the execution of the Trustees’ decision.

Guarantee of States not Members of the League of Nations.

Article 22.

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

General Provisions.

Article 23.

Those ordinary or special guarantor Governments in whose territories there is already a market for international securities undertake to facilitate to the fullest possible extent the opening of their financial markets to the issue of loans authorised under the present Convention.
Ad Article 21.

Question of Reference of Disputes to the Permanent Court of International Justice.

See Article 25 hereunder.

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Ad Article 22 (a).

The Trustees shall, if so directed by the Council of the League of Nations, suspend all payments to or for the benefit of the Government or inhabitants of a territory to which the financial sanctions provided for in Article 16 of the Covenant have become applicable; the sums retained by the Trustees shall become payable, together with any interest which they may have earned, so soon as the Council shall be of opinion that the maintenance of the said sanctions is no longer justified.
Article 24.

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

Article 25.

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

Article 26.

1. Decisions of the Council under Article 1 must be taken by the unanimous vote of all its Members other than the representatives of Members of the League involved in the war or threat of war.

2. All other decisions taken by the Council in virtue of the present Convention may be taken by a simple majority of its Members other than the representatives of Members of the League which are involved in the war or threat of war.

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

Article 27.

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

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

Article 28.

After the date mentioned in Article 27, paragraph 1, the present Convention may be acceded to on behalf of any Member of the League of Nations. The instruments of accession shall be transmitted to the Secretary-General of the League of Nations, who shall notify their receipt to all the Members of the League.
### Third Committee of the Tenth Assembly

**Ad Articles 21 and 25.**

**Question of Reference of Disputes to the Permanent Court of International Justice.**

Several delegations proposed the jurisdiction of the Permanent Court of International Justice. The suggestion which seemed to gain the approval of the majority of the Committee consists in providing a non-suspensive right of appeal to the Court for all questions of interpretation, the Council deciding upon questions of application. Nevertheless, the Third Committee was of opinion that the financial consequences of this solution should be examined by the Financial Committee.

**Ad Article 26.**

**Decisions of the Council.**

The majority of the Third Committee held that, in framing these stipulations, it was desirable to follow as closely as possible the exact terms of the Covenant. Accordingly, the following text was adopted on the first reading for the first two paragraphs of Article 26:

1. Decisions of the Council under Article 1 shall require the agreement of all the Members represented at the meeting, other than the representatives of the parties to the dispute.

2. All other decisions taken by the Council in virtue of the present Convention shall be taken by a simple majority of the members represented at the meeting other than the representatives of the parties to the dispute.

### Financial Committee

**Ad Articles 21 and 25.**

**Question of Reference of Disputes to the Permanent Court of International Justice.**

Without entering into the legal and constitutional aspects of this subject, the Financial Committee confines itself to a single observation regarding the financial bearings of the question. It is desirable for the efficacy of the Convention that the necessary decisions required by it should involve no delay and should be final in character. From this point of view, the Committee recommends that the present text should not be altered.

**Ad Article 26.**

**Decisions of the Council.**

The Committee sees no objection to this proposal from the financial point of view.

### Observations by the Governments

**Ad Article 26.**

**Observation by the Danish Government:**

Some anxiety is felt at the fact that a departure is made from the principle laid down in Article 4 of the Covenant in that, according to the proposal under consideration, the Council will be able to reach a decision and impose financial obligations on the individual Members of the League without those States that are not Members of the Council having any opportunity of participating in the Council's deliberations and decisions.
Article 29.

1. The present Convention shall come into force ninety days after the date at which, as the result of ratifications or of accessions, a sum not inferior to ................. million gold francs for the annual service of loans to be issued by application of the Convention is covered by ordinary guarantees, and is also covered by the special guarantees of not less than three Governments. The Secretary-General of the League of Nations shall make the calculations necessary for the purposes of the present paragraph and notify the entry into force of the Convention to all the Members of the League.

2. In the case of High Contracting Parties ratifying or acceding to it after its entry into force, the Convention shall take effect on the day on which the instrument of ratification or accession is deposited with the Secretary-General of the League of Nations.

3. The total maximum amount covered by ordinary guarantees in accordance with Article 6 at the date of entry into force of the Convention, and any subsequent increase in that amount resulting from a new ratification or accession, shall be notified to all the Members of the League by the Secretary-General.

Article 30.

1. The present Convention shall be concluded for a period of ten years dating from its entry into force.

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

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

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

5. The obligations of any Government in respect of loans already authorised in virtue of the present Convention shall not be affected by denunciation of the Convention, or by its ceasing to be in force, so far as it relates to the authorisation of new loans, under the provisions of paragraph 4 above. The Convention shall remain in force for all purposes connected with such obligations until they have been discharged in full.

6. If the ratifications or accessions necessary to bring the present Convention into force are not accorded within twenty-four months from the date of the Convention, the Convention shall become null and void for all purposes.
**Third Committee of the Tenth Assembly.**

<table>
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<tr>
<th>Ad Article 29.</th>
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<tbody>
<tr>
<td>Interval between Ratification and Participation.</td>
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<tr>
<td>It was represented in the Third Committee that it might be desirable to provide that an interval should elapse between the moment when a newly acceding Government ratified the Convention and the moment when it was allowed to participate in the benefits and obligations arising from it.</td>
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**Financial Committee.**

<table>
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<tr>
<td>Interval between Ratification and Participation.</td>
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<tr>
<td>The Financial Committee is of opinion that, in certain circumstances, a provision of this kind might diminish the efficacy of the Convention and that therefore such a provision should not be inserted.</td>
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**Adhesion of States after the Convention has come into force.**

One of the delegates to the Third Committee made a proposal to the effect that the burden of the guarantees of various loans might be so divided between the various guaranteeing Governments that, in case all the High Contracting Parties did not take part in the guarantees of all loans issued under the Convention, nevertheless the final burdens borne by them should be proportionate to their maximum liabilities under Article 6 of the Convention.

**Ad Article 30.**

**Cessation of League Membership before the Expiration of the Convention.**

The question was raised in the Third Committee: What should be the position of a party to the Convention at the cessation of its membership of the League?

**Ad Article 30.**

The Financial Committee sees no reason to propose modifications to these provisions.
Article 31.

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

Additional Article.

Relation with the Disarmament Convention.

Most of the delegations admitted the necessity for such a connection. In order to clarify ideas, the Third Committee drafted an additional article which was adopted on first reading. The exact way in which this article will have to be combined with the other articles of the Convention still remains to be considered. The text is as follows:

"The present Convention shall not come into force until a general Disarmament Convention in accordance with Article 8 of the League Covenant has been brought into operation. The present Convention shall cease to have effect as soon as the general Disarmament Convention ceases to be operative.

"It is also to be a condition that no country which is not a party to such Disarmament Convention, or which shall fail to carry out its obligations under such a Convention, shall be entitled to the benefits of the present Convention."

This last paragraph was referred for examination to the Financial Committee.

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

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

Relation with the Disarmament Convention.

The Financial Committee considers that this question does not within its immediate province.

Ad Additional Article.

Relation with the Disarmament Convention.

Observation by the Danish Government:

Denmark cannot adhere to this scheme unless the entry into force of this Convention is made subject to the adoption and entry into force of the general convention for the reduction and limitation of armaments.

. . . . . . . . . .

The Danish Government considers it desirable that it should be laid down in the Convention that the Council's decision to guarantee a loan in any particular case shall be conditional upon the State concerned having ratified or acceded to the general Disarmament convention.

Text suggested by the British Government:

"The present Convention shall not come into force until a general disarmament convention, in accordance with Article 8 of the League Covenant, has been brought into operation. The present Convention shall cease to have effect as soon as the general convention ceases to be operative.

"It is also to be a condition that no country which is not a party to such disarmament convention or which shall fail to carry out its obligations of such a convention, shall be entitled to the benefits under the present Convention."
TEXT OF THE DRAFT CONVENTION ON FINANCIAL ASSISTANCE DRAWN UP BY THE DRAFTING COMMITTEE.

In order to facilitate examination of the present text, the numbering employed for the articles in document C.A.S. 88 has been adhered to.

PREAMBLE.

(Heads of States).

Recognising the importance with a view to safeguarding or, if so be, restoring peace between nations of creating in the form of guarantees for loans a system of financial assistance to be given in the case of international conflicts likely to lead to a rupture or in case of war;

Considering that this object may best be achieved by means of an international convention;

Have appointed as their plenipotentiaries for this purpose:

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

Article I (A).

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

The High Contracting Party to whom the financial assistance is accorded undertakes, for his part, to submit the dispute to mediation by the Council or to judicial or arbitral settlement.

Article I (B).

If the Council, in pursuit of its duty under the Covenant, and acting within the limit of its rights under the Covenant or under general or special conventions applicable in the matter, shall, in any international dispute likely to lead to a rupture, have taken action to safeguard peace, including resort to mediation or any other means of pacification, and if either of the parties shall refuse or neglect to conform to such measures, the Council may, at the request of the adverse party, if such party is a party to the present Convention, accord financial assistance to the last-named party.

The High Contracting Party to whom the financial assistance is accorded undertakes, for his part, to submit the dispute to mediation by the Council or to judicial or arbitral settlement and to conform to any provisional measures that may be recommended by the Council with a view to safeguarding peace.

Article 2.

(Original text.)

Article 3.

(Original text.)

Article 4.

(Original text.)

ORDINARY GUARANTEES.

Article 5.

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

**Article 6.**

1. Subject to the provisions of Article 18 regarding payment of interest in the event of default, the annual liability which can fall to the charge of any Government in the capacity of an ordinary guarantor, in respect of all the loans contracted in accordance with the present Convention, is limited to a maximum. This maximum shall be a sum bearing the same proportion to (100 million) gold francs as the contribution to the League's expenses payable by the Government, under the scale of allocation applicable (on January 1st, 1930), bears to the total contributions due from all the Members of the League.

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

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

**Special Guarantees.**

**Article 7.**
(Original text.)

**Article 8.**
(Original text.)

**Article 9.**
(Text of the Financial Committee.)

**Article 10.**
(Original text.)

**Article 11.**
(Original text.)

**Trustees.**

**Article 12.**
(Original text.)

**Authorisation of Loans.**

**Article 13.**

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

2. (Original text.)

3. (Original text.)

**Issue of Authorised Loans.**

**Article 14.**
(Text of the Financial Committee.)

**Deposit of Bonds in respect of Particular Loans.**

**Article 15.**
(Text of the Financial Committee.)
Operation of the Ordinary Guarantees and Special Guarantees in the Event of Default by the Borrowing Government.

Article 16.
(Original text.)

Article 17.
(Text of the Financial Committee.)

Article 18.
(Original text.)

Article 19.
(Original text.)

Article 20.
(Original text.)

Article 21.
(Original text.)

Guarantee of States not Members of the League of Nations.

Article 22.
(Original text.)

General Provisions.

Article 22 (A).
(Text of the Financial Committee.)

Article 23.

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

Article 24.
(Original text.)

Article 25.
(Original text.)

Article 26.

1. Decisions of the Council under Article 1 (A) or 1 (B) shall be taken by the unanimous vote of the Members represented at the meeting, the votes of representatives of the parties to the dispute not being counted in determining such unanimity.

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

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

Article 26 (A).

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

Article 27.
(Original text.)

Article 28.
(Original text.)

Articles 29 and 30.
(Replaced by the following text.)

Article A.

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

Article B.

1. The present Convention shall enter into force ninety days after the date on which the conditions set out in Articles A and D are satisfied. (2) The Secretary-General shall make the calculations necessary for the purpose of Article A. He shall notify the entry into force of the Convention to all the Members of the League.

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

4. The total maximum amount covered by ordinary guarantees in accordance with Article 6 on the date of entry into force of the Convention, and any subsequent increase in that amount resulting from a new ratification or accession, shall be notified to all the Members of the League by the Secretary-General.

Article C.

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

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

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

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

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

5. The obligations of any Government in respect of loans already authorised in virtue of the present Convention shall not be affected by denunciation of the Convention, or by its ceasing to be in force, so far as it relates to the authorisation of new loans, under the provisions of paragraph 4 above or of Article D.

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

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

Article D.

The entry into force of the present Convention, and its maintenance in force as regards authorisation of new loans, shall be conditional upon the entry into force and maintenance in force of the plans for reduction of armaments contemplated by Article 8 of the Covenant of the League of Nations.

Notwithstanding the provisions of Articles 1 (A), 1 (B) and 13, if, after the expiry of one year from the coming into force of the aforesaid plans, a High Contracting Party does not discharge the obligations incumbent upon it in consequence of such plans, such High Contracting Party shall not be capable of benefiting by the financial assistance provided for by the present Convention.

Article 31.
(Original text.)
REPORT PRESENTED BY HIS EXCELLENCY M. COBIÁN.

The scheme for financial assistance, which originated in a proposal made by the Finnish delegation to the Preparatory Disarmament Commission in 1926, has already been on the agenda of the Committee on Arbitration and Security at its second and third sessions.

It was again referred to the Committee on Arbitration and Security by the tenth Assembly in virtue of the following resolution:

"The Assembly:

"Having examined the draft Convention on Financial Assistance drawn up by the Financial Committee:

"Noting that the determination of the cases in which this assistance could or should be granted is in close relation with the general problem of the definition of the aggressor and with that of the means of preventing war, and that the connection between financial assistance and the reduction and limitation of armaments has been recognised and should be thoroughly examined;

"Taking into consideration the various amendments which have been submitted, several of which necessitate adjustment in the technical machinery of the plan of assistance, whereas others are of a political character;

"Requests the Council to take steps to ensure the early establishment of a complete text capable of being submitted to States for signature at the earliest possible date.

"It accordingly suggests that the Council should instruct the Committee on Arbitration and Security to draw up this text in co-operation with the Financial Committee. The text would, after it had been communicated to the Governments, be submitted for the approval either of a special conference or at the latest for that of the next Assembly."

In accordance with its instructions, the Financial Committee, at its thirty-seventh session, reconsidered the preliminary draft which had been submitted to the tenth Assembly, in the light of the observations made in the Third Committee. The conclusions it reached have already been submitted to the Council (document C.I05.M.29.1930.II).

In the course of its work, the Committee on Arbitration and Security considered these conclusions with the valuable assistance of M. de Chalendar, M. Janssen, M. Pospisil and Sir Henry Strakosch, who were delegated by the Financial Committee.

The findings of the Committee on Arbitration and Security, which are set out in the present report and the annexes thereto, received the full and entire approval of the Financial Committee’s delegates.

The resolution of the tenth Assembly contemplates the establishment of a complete text to be submitted to States for signature, and specifies that this text will be submitted either for the approval of a special Conference or, at the latest, for that of the next Assembly. In the relatively short interval which will elapse before September, it would be very difficult to hold a special conference. Moreover, the appended draft has been exhaustively studied in all its details, so that it scarcely seems necessary that a special conference should be held. In these circumstances, the Committee on Arbitration and Security is of opinion that the final text can be established during the next Assembly.

Should the Council decide to follow this procedure, it would be desirable to ask the Governments Members of the League to invest their delegates to the Assembly with full powers to examine and, if judged expedient, sign the Convention.

INTRODUCTORY NOTE TO THE DRAFT CONVENTION FOR FINANCIAL ASSISTANCE.

The principle underlying the draft Convention for Financial Assistance is this: that in the event of war, or of an international conflict likely to lead to a rupture, a State Member of the League should be given prompt and effective financial assistance in order to restore or preserve peace.\(^1\)

\(^1\) As regards this principle see also on next page the reservation made by certain delegations concerning Article 2.
This assistance, it is proposed, should take the form of loans guaranteed by the contracting States.

Having regard to the instructions given by the Assembly, the draft which the Committee on Arbitration and Security has prepared with the help of the Financial Committee embodies the complete text of a convention. The Committee realised, however, that certain points ought to be left to the judgment of the plenipotentiaries who will establish the final text of the Convention. It has accordingly done no more than offer indications, leaving it to the plenipotentiaries of the contracting Powers to come to a decision on the points in question, which are the following:

1. The annual amount up to which the contracting parties undertake to guarantee the interest on, and amortisation of, loans floated in virtue of the Convention (Article 7);
2. The date of the scale of contributions to the League's expenses which is to form the basis for the allocation of the guarantee; the Committee would point out that, should the date mentioned in the draft be changed, it would be necessary to fix a date prior to the establishment of the text, and as early as possible, so that the Governments could be apprised in advance of the limits of the maximum liabilities they may be required to assume (Article 7);
3. The minimum sum to be covered by the ordinary and special guarantees in order that the Convention may come into force or remain in force. The Committee on Arbitration and Security and the Financial Committee consider that this minimum sum should be fixed at half the maximum sum specified in Article 7 (Articles 32 and 34);
4. The date of expiry of the Convention (Article 34).

Some of the questions raised in the Committee on Arbitration and Security were technical and financial, while others were political.

For the technical and financial questions, the members of the Committee on Arbitration and Security were guided by the Financial Committee's report and by the opinions expressed by the delegates of the Financial Committee.

The principal questions of a political character relate to the following articles:

1. Cases of Application of the Convention. — The Committee decided to treat separately in Articles 1 and 2 the case of war and the case of an international dispute likely to lead to a rupture, the application of financial assistance in the last-named case being subject to special conditions.

Further, the Committee deemed it expedient to give effect to the desire expressed by certain delegations that the State receiving assistance should be obliged to enter into certain undertakings.

(a) The Case of War. — The question raised in connection with Article 1 was whether, in case of war, it was the duty of the Council to grant financial assistance, or whether it might grant it according to circumstances. The different views put forward are embodied in the draft which was adopted. It was recognised as a principle that, in the case of a war in breach of international obligations, the State attacked has the right to financial assistance, but that, on the other hand, the Council possesses discretionary powers to take a decision constituting a departure from this principle.

As regards the undertaking which the party applying for financial assistance would be required to enter into, namely, to comply with the provisional recommendations of the Council, the majority of the Committee was of opinion that in case of war the question did not arise.

(b) The Case of an International Dispute likely to lead to a Rupture. — In Article 2 the Committee replaced the expression "case of threat of war" by the expression "case of an international dispute likely to lead to a rupture ".

The text adopted by the majority of the Committee allows the Council to grant financial assistance if, inter alia, either of the parties to the dispute whether Member or non-Member of the League has refused or neglected to conform to the measures taken by the Council to safeguard peace.

The Canadian delegation thought that it would be preferable to limit to the case of war the application of financial assistance. The delegations of Germany, Italy and Japan made reservations. They were of opinion that the Council should not authorise a loan before war had broken out. The following text was proposed instead of Article 2:

"If, in a crisis, the Council considers that there is a danger of war, it may notify the parties to the dispute that financial assistance will be granted to the State against which one of the parties to the dispute goes to war. At the same time the Council will take all preparatory measures in order that financial assistance may be promptly accorded directly war breaks out."

2. Question of spreading the Service of the Amortisation of the Loan over a Period in Instalments.

The question arose, in connection with Article 5, whether it would be possible to provide for rapid amortisation, starting from the very beginning, and to spread it over the whole period of the loan in equal instalments.

The Financial Committee was of opinion, however, that this procedure would involve serious technical and financial difficulties from the standpoint both of the issue of the loan and of the interests of the borrower.

The Committee on Arbitration and Security accepted the Financial Committee's view, but the Italian delegation reserved the freedom of the financial representatives of their country to question this decision should they think fit.
3. Definition of Governments which will be empowered to contract the Guaranteed Loan. — The Swedish delegation proposed, for reasons connected with the Swedish constitution, that mention should be made in the Convention not merely of "the Government" but also of "any other competent authority" as having power to contract a loan.

The Committee was of opinion that it would suffice for the Swedish representative, when the Convention was concluded, to make a declaration on this point, which would be noted and accepted by the representatives of the other Governments.

4. Employment of Loan. — The Committee deemed it expedient to provide for the possibility of the Council making conditions as to the employment of the proceeds of the loan and the supervision of such employment. In order to dispel all doubt on the point, a special clause has been inserted in paragraph 2 of Article 9.

5. Participation of States not Members of the League. — The question arose whether it would not be expedient to provide for the possibility of States not Members of the League acceding to the Convention.

It appeared to the Committee that the admission of non-Member States would encounter both technical and constitutional difficulties. The Committee, nevertheless, decided to provide for the participation of non-Member States in guaranteeing particular loans as provided in Article 23.

6. Undertaking to facilitate the Issue of Guaranteed Loans. — The Committee on Arbitration and Security, in agreement with the representatives of the Financial Committee, decided that it would be well to provide, not only that the guarantor States should undertake to facilitate on their financial markets the issue of the loans authorised by the Council, but that they should also undertake to abstain from any measure calculated to compromise the efficacy of the financial assistance.

A clause of this nature inserted in Article 25 must obviously be of positive value in supplementing and reinforcing the direct measures provided for in Articles 1 and 2.

7. Disputes relating to Interpretation and Application. — The Committee on Arbitration and Security, in agreement with the Financial Committee, is of opinion that, if the Convention is to be efficacious, it is essential that decisions that may be taken under Articles 22 and 27 should not involve delay in the application of the Convention, and that they should be of a final character. Accordingly, any dispute relating to the interpretation or method of application of the Convention should be settled, in the last resort, by decision of the Council.

The suggestion put forward at the last Assembly to the effect that such decisions should rest with the Permanent Court of International Justice would tend to compromise the very delicate financial mechanism of the Convention by making it possible to re-examine decisions on the basis of which certain financial undertakings had been entered into.

8. Rules for Voting in the Council. — The Committee has adhered, as far as possible, in the wording of Article 28, to the terminology of the Covenant.

9. Connection between the Convention and Article 16 of the Covenant. — The Committee considered it advisable to insert, at the close of the General Provisions in the Convention, a clause (Article 29) making it clear that the provisions of the Convention cannot be construed as affecting the rights and obligations of the contracting parties under the provisions of Article 16 of the Covenant.

10. Final Clauses. — After examining the suggestions put forward at the last Assembly, the majority of the Committee was of opinion that it was essential to establish a link with the Disarmament Convention, and made the entry into force of the Convention on Financial Assistance conditional on Article 35, not only upon the entry into force of a plan for disarmament in conformity with Article 8 of the Covenant, but also on the maintenance of such plan.

A difference of opinion was manifested on this point. One section held that according to Article 8 of the Covenant they ought not to contemplate the possibility of the plan for the limitation and reduction of armaments, once it had been adopted, ceasing to be maintained, even with the revisions provided for in that article.

This view was opposed by other delegations, which held the opinion that, even within the limits of Article 8 of the Covenant, it was possible that the contemplated plan might cease to be in force.

For that reason, certain delegations made reservations in regard to the text adopted by the majority.

The decision to provide for correlation with the disarmament plan involved the complete recasting of the clauses of the Protocol.

Further, for the reasons mentioned in the observations relating to Article 23, the Committee on Arbitration and Security was of opinion that a State which ceases to be a Member of the League of Nations should automatically cease to be a party to the Convention on Financial Assistance, though it would still be bound by its obligation as a guarantor of loans already authorised.

Further, several delegations suggested that it might be desirable, in order to encourage States to accede to or ratify the Convention, to prevent those which have not acceded to it until after its entry into force from benefiting by the Convention until after a certain interval has elapsed since their ratification or accession.

The majority of the Committee did not think it advisable to accept this suggestion at the present juncture.
ANNEX XVI.

DRAFT CONVENTION ON FINANCIAL ASSISTANCE.

PREAMBLE.

[Heads of States.]

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

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

Have appointed as their plenipotentiaries for this purpose:

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

Article 1.

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

The High Contracting Party to whom financial assistance is granted undertakes, for his part, to submit the dispute to mediation by the Council or to judicial or arbitral settlement.

Article 2.

If the Council, in the performance of its duties under the Covenant, and acting within the limit of its rights under the Covenant or under general or special conventions applicable in the circumstances shall, in any international dispute likely to lead to a rupture, have taken steps to safeguard peace, including resort to mediation or any other means of peaceful settlement, and if one of the parties shall refuse or neglect to conform to such steps, the Council may, at the request of the other party, if the latter is a party to the present Convention, grant financial assistance to the last-named party.

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

Article 3.

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

Article 4.

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

Article 5.

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

Article 6.

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

Article 7.

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

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

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

SPECIAL GUARANTEES.

Article 8.

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

Article 9.

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

Article 10.

1. Subject to the provisions of Article 19 regarding the payment of interest in the event of default, the annual liability which may fall to the charge of any special guarantor Government in respect of all the loans contracted in accordance with the present Convention is limited to a maximum which includes the Government's obligation as an ordinary guarantor and the additional amount covered by its special guarantee. This maximum shall be determined by dividing the sum total of the maximum obligations of all the Governments, as ordinary guarantors, among the special guarantor Governments in proportion to their respective maximum obligations as ordinary guarantors.

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

\(^1\) See Introductory Note.
Article II.
The following Governments may be special guarantors under the present Convention:

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

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

Article 12.
The Secretary-General of the League of Nations shall send to the Trustees provided for in
Article 13 a certified true copy of each notification of its maximum liability made to a Government
in execution of Article 7 or Article 10.

Trustees.

Article 13.
1. Upon the entry into force of the present Convention, the Council of the League of Nations
shall appoint five persons to act as Trustees of loans contracted in accordance with the present
Convention. The Trustees shall be nationals of the Swiss Confederation and habitually resident
in Switzerland.
2. (a) The Trustees shall be appointed for periods of five years. At the end of their term
of office, they may be re-appointed for the like or any less period. A Trustee may at any time
resign on giving three months' previous notice in writing to the Council of the League of Nations.
(b) The Council of the League of Nations may at any time remove a Trustee.
(c) In the event of a vacancy occurring for any reason in the office of Trustee, the Council
of the League of Nations shall without delay appoint another Trustee. If, in his opinion, it is
necessary to do so, the Acting President of the Council may appoint a person to act until the
vacancy is filled by the Council.
3. (a) The Trustees shall appoint from their number a Chairman and Deputy-Chairman
and draw up their rules of procedure subject to the provisions of the present Convention. Except
in the case mentioned in Article 16, paragraph 1, meetings shall be convened by the Chairman
or, if he is unable to act, by the Deputy-Chairman.
(b) Three Trustees shall constitute a quorum. All decisions may be taken by a majority; in
case of equality of votes, the presiding Trustee shall have a casting vote.
(c) The Secretary-General of the League of Nations shall be entitled to be present or be
represented at all meetings of the Trustees.
(d) The expenses incurred by the Trustees in executing their functions in connection with any
loan and such honoraria for the performance of those functions as may be fixed by the Council
of the League of Nations shall be paid by the borrowing Government.
(e) The Council of the League of Nations may advance to the Trustees the amounts referred
to in paragraph (d); any sum so advanced shall be repaid to the League by the borrowing
Government.
(f) No Trustee shall incur any personal liability in the execution of his functions as Trustee,
except for a breach of his duties knowingly and intentionally committed by him.
(g) The Trustees shall report annually to the Council of the League of Nations upon the
execution of their functions as Trustees of each loan contracted in accordance with the present
Convention; they shall be entitled at any time to bring to the attention of the Council any
difficulties experienced by them in performing such functions.

Authorisation of Loans.

Article 14.
1. Where the Council of the League of Nations recognises that, in virtue of Articles 1 or 2,
a High Contracting Party should receive financial assistance under the present Convention, it
shall authorise the Government of such High Contracting Party to issue a loan enjoying the
ordinary guarantees and the special guarantees resulting from the present Convention. The Council
may exclude the ordinary guarantee or special guarantee of any Government if, in its opinion, it would not be desirable in the interest of the success of the loan that such ordinary guarantee or special guarantee should attach to the loan.

2. (a) The maximum sum to which the service of the loan may amount in each year shall be fixed by the Council. The sum fixed by the Council shall be expressed in gold francs as defined in Article 26, and, for the purpose of determining the sum to which the service may amount in the currencies in which the loan is actually contracted, those currencies shall be treated as being at the moment of signature of the loan contracts on the legal parity with gold.

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

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

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

**ISSUE OF AUTHORIZED LOANS.**

Article 15.

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

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

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

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

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

(b) Except in the case of short-term credits of a currency not exceeding two years, a reserve shall be constituted in the hands of the Trustees by the direct transfer to them by the issuing houses out of the yield of the loan of an amount sufficient to pay one-half of the annual service of the loan as issued. Any sums drawn from this reserve by the Trustees shall immediately be refunded to them by the borrowing Government.
The borrowing Government shall provide the Trustees with the funds necessary to meet the service of the loan in time of war as well as in time of peace. Such remittances shall be in the hands of the Trustees not later than thirty days before each payment falls due.

**Deposit of Bonds in Respect of Particular Loans.**

**Article 16.**

1. As soon as possible after a contract for the issue of all or part of an authorised loan has been certified in accordance with Article 15, paragraph 3, the Trustees, convened by the Secretary-General of the League of Nations, shall examine the contract and the relevant decisions of the Council and ascertain and notify to the Governments whose guarantees attached to the loan:

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

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

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

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

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

**Operation of the Ordinary Guarantees and Special Guarantees in the Event of Default by the Borrowing Government.**

**Article 17.**

1. (a) The service of loans contracted in accordance with the present Convention shall always continue to be primarily a charge upon the borrowing Government. The guarantees provided under the Convention shall enter into operation only if, and to the extent to which, the Trustees are neither provided with the necessary funds by the borrowing Government nor able to meet the service out of the reserve constituted in accordance with Article 15, paragraph 4 (b).

   (b) In such a case, the Trustees shall call simultaneously on all the guaranteeing Governments, whether they be ordinary or special guarantors. They shall apply the yield of the calls to meet the service of the loan and shall then reimburse to the special guarantor Governments pro rata out of the balance of such yield the amounts paid by them in excess of their liabilities as ordinary guarantors. Delay by a guarantor Government in meeting a call is recognised as creating a duty to compensate special guarantor Governments as provided in Articles 19 and 21 for the prejudice caused to them by the resulting delay in the reimbursement of the amounts paid by them in excess of their liability as ordinary guarantors.

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

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

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

**Article 18.**

1. In the event of a default by the borrowing Government in providing funds to pay the annual service of an authorised loan, the Trustees shall draw on the reserve constituted
by application of Article 15, paragraph 4 (b), until that reserve is exhausted. They shall at once notify the default to the Governments whose ordinary guarantees or special guarantees attach to the loan. They shall likewise notify any payments into the reserve.

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

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

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

Article 19.

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

Article 20.

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

2. The payments received by the Trustees from the borrowing Government after it has defaulted in meeting the guaranteed service of its loan shall, if necessary, be applied in the first instance to making good any arrears in the guaranteed service of the loan which have occurred, notwithstanding the ordinary guarantees and special guarantees provided by the present Convention, and, secondly, to reconstituting the reserve provided for by Article 15, paragraph 4 (b). Subject to this provision, any amounts not required for meeting the current service of the loan shall be used to reimburse to the special guarantor and ordinary guarantor Governments, with the appropriate interest, the amounts which they have furnished to meet defaults in the service of the loan and which have not been reimbursed to them. Each Government shall be entitled to be reimbursed the sum paid by it in the capacity of an ordinary guarantor with compound interest at the rate mentioned in Article 21, as from the date of its payment to the Trustees. Each special guarantor Government shall, in addition, be entitled to receive the amount paid in excess of its liability as an ordinary guarantor, together with its share of any interest chargeable to other Governments under Article 19. Priority shall be given to reimbursement to the special guarantor Governments of the amounts paid by them in excess of their liabilities as ordinary guarantors, and the sums due in respect of earlier defaults shall be met in full before any payment is made in respect of later defaults. Subject to the above provisions, the reimbursement shall be effected pro rata to the sums due to the various Governments.
3. A reimbursement to the special guarantor Governments effected under paragraph 2 shall cancel pro rata the claims of these Governments against other ordinary or special guarantor Governments. The Trustees shall determine what liabilities are extinguished or reduced and notify the Governments concerned.

**Article 21.**

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

**Article 22.**

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

**GUARANTEE OF STATES NOT MEMBERS OF THE LEAGUE OF NATIONS.**

**Article 23.**

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

**GENERAL PROVISIONS.**

**Article 24.**

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

**Article 25.**

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

**Article 26.**

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

**Article 27.**

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

**Article 28.**

1. Decisions of the Council under Articles 1 or 2 shall be taken by the unanimous vote of the Members represented at the meeting, the votes of representatives of the parties to the dispute not being counted in determining such unanimity.

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

3. A Member of the League which is not a Member of the Council cannot claim to sit on the Council, when the latter discusses questions arising under the present Convention, in virtue solely of the fact that it is an ordinary guarantor or special guarantor under the present Convention.
The provisions of the present Convention may not be interpreted as affecting the rights and obligations of the High Contracting Parties under the provisions of Article 16 of the Covenant.

**Final Provisions.**

**Article 30.**

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

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

**Article 31.**

After the date mentioned in Article 30, paragraph 1, the present Convention may be acceded to on behalf of any Member of the League of Nations. The instruments of accession shall be transmitted to the Secretary-General of the League of Nations, who shall notify their receipt to all the Members of the League.

**Article 32.**

It shall be a condition of the entry into force of the present Convention that the ratifications or accessions which it has received shall have resulted in causing a sum of not less than (50 million) 1 gold francs, for the annual service of loans, to be covered by ordinary guarantees and also by the special guarantees of not less than three Governments.

**Article 33.**

1. The present Convention shall enter into force ninety days after the date on which the conditions set out in Articles 32 and 35 are satisfied.

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

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

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

**Article 34.**

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

1. The present Convention shall be concluded for a period continuing until the end of the year (1945). 2

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

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

4. Notwithstanding the provisions of paragraph 2, the Convention shall cease to be in force, so far as it relates to the authorisation of new loans, at the end of the original period for which it is concluded, or of any successive period for which it continues in force, if at that date, as a result of denunciations, or of the operation of paragraph 7 below, the annual sum to which the ordinary guarantees amount is less than (50 million) 1 gold francs or the number of special guarantor Governments has fallen below three.

5. The obligations of any Government in respect of loans already authorised in virtue of the present Convention shall not be affected by denunciation of the Convention, or by its ceasing to be in force, so far as it relates to the authorisation of new loans, under the provisions of paragraph 4 above or of Article 35.

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

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

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1 See Introductory Note.
The entry into force of the present Convention, and its maintenance in force as regards the authorisation of new loans, shall be conditional upon the entry into force and maintenance in force of the plans for the reduction of armaments adopted by the General Conference on Disarmament in execution of Article 8 of the Covenant of the League of Nations.

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

Article 35.

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

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

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

Appendix I.

Form of Ordinary Guarantee Bond.

LOAN OF THE GOVERNMENT OF ................................................ (state particulars of issue)

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

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

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

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

Part I. — Interest Payments.

<table>
<thead>
<tr>
<th>Date at which interest payment is due</th>
<th>A Total amount of payment</th>
<th>B Maximum liability of the Government of ................................................................. as an ordinary guarantor</th>
</tr>
</thead>
</table>

Part II. — Amortisation Payments.

<table>
<thead>
<tr>
<th>Date at which amortisation payment is due</th>
<th>A Total amount of payment</th>
<th>B Maximum liability of the Government of ................................................................. as an ordinary guarantor</th>
</tr>
</thead>
</table>

Form of Interest Coupon attached to Ordinary Guarantee Bond.

**LOAN OF THE GOVERNMENT OF .................................................................**

guaranteed in virtue of the Convention for Financial Assistance made at ................................................................. on .................................................................

**Issue of .................................................................** (state particulars of issue)

**COUPON for the sum payable by the Government of ................................................................. as an ordinary guarantor in respect of the instalment of interest due on the .................................................................**

**(date of interest payment)** .................................................................

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

**(Signed)** .................................................................

**Certificate of Trustees.**

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

**Date .................................................................** *(Signed) .................................................................*
Form of Amortisation Coupon attached to Ordinary Guarantee Bond.

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

Issue of ...................................................... (state particulars of issue) ..............................................

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

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

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

Certificate of Trustees.

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

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

Appendix II.

Form of Special Guarantee Bond.

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

Issue of ...................................................... (state particulars of issue) ..............................................

SPECIAL GUARANTEE BOND OF THE GOVERNMENT OF ..............................................

WHEREAS, subject to the provisions of the above-named Convention for Financial Assistance,
the Government of .............................................. (name of guarantor Government) ..............................................
is a special guarantor of loans authorised and contracted in accordance therewith;
AND WHEREAS the Trustees provided for in the said Convention have certified to the said Government that the Government of ........................................................ (name of borrowing Government) has concluded a contract, which has been duly approved and certified as required by the said Convention, for the issue of ........................................................ (state particulars of issue) being part (the whole) of a loan authorised by the Council of the League of Nations in virtue of the said Convention and enjoying the special guarantee of the Government of ........................................................ (name of guarantor Government).

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

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

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

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

Part II. — Amortisation Payments.

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

Date ........................................................ (Signed)
Form of Interest Coupon attached to Special Guarantee Bond.

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

Issue of ..............................................................................................................................................................................................

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

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

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

Certificate of Trustees.

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

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

Form of Amortisation Coupon attached to Special Guarantee Bond.

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

Issue of ..............................................................................................................................................................................................

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

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

(Signed) ..............................................................................................................................................................................................
Certificate of Trustees.

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

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

Communications affecting the Working of the League of Nations at Times of Emergency: Facilities to be granted to Aircraft.

C.A.S. 84.

[Translation.]

LETTER FROM THE SECRETARY-GENERAL OF THE INTERNATIONAL COMMISSION FOR AIR NAVIGATION TO THE CHAIRMAN OF THE ADVISORY AND TECHNICAL COMMITTEE FOR COMMUNICATIONS AND TRANSIT.

[Translation.]

Paris, December 18th, 1929.

In reply to your letter G/A/773/491 of October 14th, 1929, I have the honour to inform you that, at its sessions in June and December 1929, the International Commission for Air Navigation adopted the whole of the attached provisions, which seemed to it to ensure at all times the requisite facilities for air communications affecting the working of the League of Nations, while giving the various States the guarantees necessary for their security.

If this text were inserted in the Convention on Aerial Navigation of October 13th, 1919—and that would seem to be the most practical procedure as regards States which are contracting parties to the Convention—it would, of course, be understood that measures would have to be taken so that the provisions contemplated might also be observed by States Members of the League which are not parties to that Convention.

The International Commission for Air Navigation did not think it necessary to define the "times of crisis" or "crisis" referred to in the attached text; moreover, in view of League procedure, it did not think any difficulties could arise from the absence of such definition.

(Signed) Albert ROPER,
Secretary-general.

Appendix.

DRAFT TEXT TO BE INSERTED IN THE CONVENTION ON AERIAL NAVIGATION OF OCTOBER 13TH, 1919.

[Translation.]

CHAPTER ..

AIRCRAFT INTENDED TO ENSURE COMMUNICATIONS OF IMPORTANCE TO THE WORKING OF THE LEAGUE OF NATIONS.

The High Contracting Parties,
Desiring to facilitate at all times and particularly in times of emergency, communications by aircraft of importance to the working of the League of Nations,
Have agreed to the following provisions:

Article I.

Aircraft permanently or temporarily employed in transporting the officials or correspondence of the League of Nations or in transporting League delegations or the correspondence of such

1 See Appendix.
delegations shall be deemed to be aircraft ensuring air communications of importance to the working of the League of Nations.

Article II.

The aircraft referred to in the preceding article shall enjoy all the rights accorded to the State aircraft of the contracting States other than the military, Customs or police aircraft referred to in the last paragraph of Article 30 of the present Convention.

Article III.

If, in order to ensure air communications of importance to its working, the League of Nations utilises aircraft belonging to the League, such aircraft shall be registered with the Secretariat of the League of Nations under the conditions prescribed by the present Convention for the registration of aircraft belonging to the contracting States.

If, for this purpose, the League of Nations utilises aircraft registered in a State and placed temporarily at its service, such aircraft shall also be registered with the Secretariat of the League of Nations, the technical particulars required being replaced by a reference to the official register of the State in which each aircraft is registered.

Copies of registrations and of cancellations of registrations shall be immediately communicated to all contracting States and to the International Commission for Air Navigation.

Article IV.

Save for any special provisions in the present Convention, the aircraft bearing the marks prescribed in Annex A indicating that they are employed in the service of the League shall be subject to all the stipulations of the Convention.

Nevertheless, in the case of aircraft utilised by the League and not registered in any State, the certificates of airworthiness, the certificates and licences of the crew and all other documents prescribed may be issued or made executory by any State in accordance with its laws.

Further, in the case of aircraft registered in a State which is not a contracting party, these documents shall be issued or made executory in accordance with the laws of that State.

Article V.

In order to ensure communications of importance to the working of the League in times of crisis, the High Contracting Parties undertake to grant to the aircraft referred to in Article I above the fullest freedom of navigation, without subjecting them to any exceptional and temporary restrictions that may be applied to air navigation, provided always, that the normal routes to be followed, the rules to be observed and any departures from these routes and rules have been previously agreed to by the Secretary-General of the League of Nations and the respective High Contracting Parties.

In arriving at these agreements, the High Contracting Parties undertake to grant the fullest possible facilities as regards both control and the routes to be followed.

The Secretary-General will endeavour, in due time and by appropriate means, to inform States whose territory is flown over of the identification marks of the aircraft which are to fly over such States, the route contemplated and the persons on board. The crew and the persons carried shall be provided with documents certifying their status and their mission.

These agreements shall further prescribe the conditions under which States whose territory is flown over shall furnish assistance to aircraft in difficulties and to the persons on board, with a view to ensuring the continuation of the air transport for the accomplishment of their mission.

Article VI.

Notwithstanding the provisions of Article V, any State may refuse to allow its territory to be flown over by aircraft registered in a State with which it has a crisis, but in such case it shall take all measures to ensure, with the utmost rapidity, the continuation of the air transport according to the procedure laid down in the agreements referred to in Article V.

Annex to the Convention.

(To be inserted in Annex A.)


   "National aircraft effecting transport for the League of Nations at times of emergency shall be identified by the inscription under the normal nationality and registration marks, of a black horizontal stripe, easily effaceable, of the thickness of the letters constituting these marks and completely underlining them."

3. Provisions to be drawn up regarding the marks to be borne by aircraft belonging to the League of Nations.

* * *

The Japanese delegation to the International Commission for Air Navigation has made a reservation concerning the whole of these conclusions.

C.A.S. 92.

ANNEX XVIII.

NOTE, FROM THE CHAIRMAN OF THE ADVISORY AND TECHNICAL COMMITTEE FOR COMMUNICATIONS AND TRANSIT.


The Committee has not considered it necessary to examine in detail the proposals submitted by the International Commission for Air Navigation, as these are to be studied by the Committee on Arbitration and Security. It thinks, however, that the attention of the latter should be drawn to the fact that the International Commission for Air Navigation, which was set up by the International Convention of 1919, very naturally drafted its proposals in the form of amendments to the said Convention, and that, if this were the only procedure contemplated, it would offer the serious inconvenience of discriminating between States which were and States which were not parties to the 1919 Convention. It would also delay the application of its provisions and the opening of the necessary negotiations between the Secretary-General of the League and the Governments until the suggested amendments to the 1919 Convention had been put into force.

The Committee believes that it would save time and be more satisfactory if the Assembly adopted a resolution laying down the general rules to be applied by Members of the League, with due regard to their obligations, defining the aircraft to be used for air communications of importance to the working of the League, and enunciating the principles on which negotiations could be opened immediately between the Secretary-General of the League and the Governments.

For the above reasons, the Committee thought it should assist the Committee on Arbitration and Security by redrafting on the above lines the proposals of the International Commission for Air Navigation. The proposed draft resolution of the Assembly must therefore be consistent both with the provisions of the 1919 Convention and with those of conventions in force between States parties to the 1919 Convention and States not parties to that Convention. It is also clear that the adoption by the Assembly of such a draft resolution would not prevent States from subsequently codifying the provisions adopted to facilitate air transport of importance to the League, by inserting the necessary provisions in international conventions dealing with air transport questions.

In these circumstances, the Committee has the honour to communicate to the Committee on Arbitration and Security the following draft Assembly resolution:

"The Members of the League are under the obligation to facilitate by all means in their power the meeting of the Council in times of emergency and the working of the League in general.

"The use of air transport may be necessary to enable the League to take rapid action to safeguard the peace.

"The Assembly therefore considers it important that the Members of the League should, in order to discharge their obligations, grant to aircraft used for air communications of importance for the working of the League all facilities for navigation and passage to enable them to discharge their missions. Such aircraft should enjoy all the rights granted by existing international conventions to Government aircraft other than military, Customs or police aircraft, and should at no time be subject to any exceptional and temporary restrictions that may be imposed on air navigation.

"The conditions on which the various Governments will grant the facilities mentioned in the previous paragraph shall be laid down in advance by each of the Governments concerned, after consulting the Secretary-General of the League. In particular, the routes to be normally followed by aircraft and the procedure contemplated for notifying the Secretary-General without delay of any changes in such routes should be fixed in advance.

"The Assembly requests the Secretary-General immediately to open negotiations on this matter and also on the conditions under which the States whose territory is crossed will assist aircraft in difficulties and the persons on board to complete the journey by air and carry out their mission."
The Assembly trusts that the Members of the League will grant to aircraft used for communications of importance to the working of the League all facilities in regard both to supervision and to the routes to be followed.

Aircraft used for communications of importance to the working of the League, within the meaning of the present resolution, are aircraft permanently or temporarily engaged in conveying League officials or League correspondence or in conveying delegations to the League or their correspondence. Should such aircraft be the property of the League, the Secretary-General shall have them registered in the Secretariat of the League. Should such aircraft be used for communications of importance to the working of the League but be registered in any country and only temporarily placed at the League’s disposal, the Secretary-General shall likewise have them registered in the Secretariat of the League. All detailed regulations regarding conditions of registration, the communication of entries and the cancellation of entries, identification marks on aircraft showing that they are on the service of the League, certificates and licences for the crew, and other documents generally required by international conventions, shall be laid down by the Council of the League of Nations after consulting the competent international bodies.

Should aircraft used for communications of importance to the working of the League be required to fly over a State, the Secretary-General of the League will endeavour to give that State due notice by suitable means of the identification marks of the aircraft, of the route to be taken and of the persons on board—the crew and the passengers to be provided with documents certifying their status and mission.

This resolution is not to be understood as affecting the liberty of any State to prohibit its territory being crossed by aircraft registered in another State when such prohibition appears justified by motives of national safety. In such case, the State in question should do everything to ensure that the journey is completed by air as quickly as possible under conditions to be determined by the negotiations above referred to.

The Secretary-General will report to the next Assembly on the steps taken to ensure the execution of this resolution.

The Chairman of the Advisory and Technical Committee for Communications and Transit has forwarded to the Committee on Arbitration and Security the provisions proposed by the International Air Navigation Commission in order to facilitate aerial communications of importance to the working of the League in times of emergency. The Committee has also received from the Chairman of the Advisory and Technical Committee the observations put forward by the latter on this subject.

The Committee on Arbitration and Security agreed with the Advisory and Technical Committee that the provisions to be considered in order to facilitate aerial communications of importance to the working of the League should be embodied in an Assembly resolution, which would permit of the immediate opening of the necessary negotiations between the Secretary-General and the Governments. It accordingly proposes to the Assembly the adoption of the draft resolution which is attached.

This draft resolution, which takes due account of all the preparatory work done, is therefore compatible both with the principles of the International Convention of 1919 and with those of the conventions existing between the States parties to the 1919 Convention and the States which are not parties to this Convention.

Clearly, the adoption by the Assembly of such a resolution would not preclude States from subsequently codifying provisions adopted to facilitate air transport of importance to the League of Nations by inserting any stipulations they consider advisable in the international conventions dealing with questions of air transport.

The Assembly:

Recalling that the Members of the League of Nations are under the obligation to facilitate by all means in their power the working of the League;

DRAFT RESOLUTION CONCERNING THE REGIME APPLICABLE TO AIRCRAFT.

A.11.1930.VII. — Extract.

[ C.A.S. 106.]

ANNEX XIX.

REPORT BY M. DE CASTRO, DELEGATE OF URUGUAY.

The Chairman of the Advisory and Technical Committee for Communications and Transit has forwarded to the Committee on Arbitration and Security the provisions proposed by the International Air Navigation Commission in order to facilitate aerial communications of importance to the working of the League in times of emergency. The Committee has also received from the Chairman of the Advisory and Technical Committee the observations put forward by the latter on this subject.

The Committee on Arbitration and Security agreed with the Advisory and Technical Committee that the provisions to be considered in order to facilitate aerial communications of importance to the working of the League should be embodied in an Assembly resolution, which would permit of the immediate opening of the necessary negotiations between the Secretary-General and the Governments. It accordingly proposes to the Assembly the adoption of the draft resolution which is attached.

This draft resolution, which takes due account of all the preparatory work done, is therefore compatible both with the principles of the International Convention of 1919 and with those of the conventions existing between the States parties to the 1919 Convention and the States which are not parties to this Convention.

Clearly, the adoption by the Assembly of such a resolution would not preclude States from subsequently codifying provisions adopted to facilitate air transport of importance to the League of Nations by inserting any stipulations they consider advisable in the international conventions dealing with questions of air transport.
Considering that the use of air transport may be necessary in times of emergency to enable the League to take rapid action to safeguard the peace;
Adopts the following resolution:

I. It is necessary that the Members of the League, in order to discharge this obligation, should grant to aircraft used for air communications of importance for the working of the League all facilities for navigation and passage to enable them to discharge their missions. Such aircraft should enjoy all the rights granted by existing international conventions to Government aircraft other than military, Customs or police aircraft, and should at no time be subject to any exceptional and temporary restrictions that might be imposed on air navigation.

2. The conditions on which the various Governments will grant the facilities mentioned in the previous paragraph shall be laid down in advance by each of the Governments concerned after consulting the Secretary-General of the League. In particular, the rules and routes to be normally followed by aircraft and the procedure contemplated for notifying the Secretary-General without delay of any changes in such rules and routes should be fixed in advance.

3. Aircraft used for communications of importance to the working of the League shall enjoy all facilities in regard both to supervision and to the routes to be followed.

4. Aircraft used for communications of importance to the working of the League within the meaning of the present resolution are aircraft permanently or temporarily engaged in conveying League correspondence, League officials or persons entrusted by the League with a special mission, or in conveying delegations accredited to the League or their correspondence.

5. The Secretary-General shall keep a list of the aircraft referred to in the foregoing article; he shall communicate this list to all the States Members of the League of Nations, with any modifications which may occur in this list.

In urgent cases these communications would be telegraphed to the States concerned.

6. All detailed regulations regarding conditions of registration, communication of entries and cancellation of entries, identification marks on aircraft showing that they are on the service of the League, certificates and licences for the crew and other documents generally laid down by international conventions shall be laid down by the Council of the League of Nations after consulting the competent bodies. The same shall apply, in cases in which the Council recognises this to be necessary, in regard to all provisions relating to aircraft assigned to the exclusive service of the League and not registered in any State.

7. Should aircraft used for communications of importance to the working of the League be required to fly over a State, the Secretary-General of the League will give that State due notice by suitable means of the identification marks of the aircraft, of the route to be taken and of the composition of the crew, and, whenever possible, will communicate in advance the names of the persons on board—the crew and the passengers to be provided with documents certifying their status and mission.

8. In the event of the aircraft mentioned above being in difficulties, the States whose territory is crossed will assist the crew and persons on board, if possible, to complete the journey by air, and in any case to carry out their mission as quickly as possible.

9. Each State shall retain the right to prohibit the whole or part of its territory being crossed by aircraft registered in another State or manned by a crew of foreign nationality, when such prohibition appears necessary for reasons of national safety. In such case the State in question should do everything to ensure the transfer of the passengers as quickly as possible to an aerodrome or frontier point and the continuation of air transport under conditions to be determined by the negotiations referred to below.

10. With a view to the application of the foregoing provisions, the Secretary-General of the League of Nations will immediately undertake the negotiations which may be necessary with the Governments of the States Members of the League, and will report to the next Assembly on the steps taken to ensure the execution of this resolution.

II. The present resolution should not be regarded as in any way prejudging the question of the advisability of the League of Nations having aircraft of its own at its disposal.
Peruvian Proposal concerning the Amendment of Article 18 of the Covenant.

ANNEX XX.

PROPOSAL BY M. CORNEJO.

Peruvian Legation.

[Translation.]

Paris, March 7th, 1930.

I have the honour to submit for examination to the Committee on Arbitration and Security, the addition to Article 18 of the Covenant which I proposed to the Assembly, the Council and the Legal Committee.

I consider that this addition should give to States that security which is the purpose of the Committee's work.

The addition is as follows:

"The Secretariat of the League of Nations may not register any treaty of peace imposed by force as a consequence of a war undertaken in violation of the Pact of Paris. The League of Nations shall consider as null and void any stipulations which it may contain, and shall render every assistance in restoring the status quo destroyed by force..."

I should be very grateful if you could take the steps required to comply with my request.

(Signed) M. H. CORNEJO.
MINUTES OF THE DRAFTING COMMITTEE

of the Fourth Session

of the Committee on Arbitration and Security.