

FREE CITY OF DANZIG

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TWELFTH REPORT BY THE TRUSTEE FOR THE FREE CITY OF DANZIG  
(TOBACCO MONOPÖLY) STATE LOAN OF 1927

(Covering the period from July 1st, 1938, to June 30th, 1939.)<sup>1</sup>

In conformity with the Council resolution of September 15th, 1927,<sup>2</sup> I herewith have the honour to submit to the Council of the League of Nations the Trustee's twelfth annual report on the Free City of Danzig (Tobacco Monopoly) State Loan of 1927, covering the period from July 1st, 1938, to June 30th, 1939.

The gross receipts derived from the Tobacco Monopoly and from the excise on spirits have, according to the figures received from the Staatshauptkasse, been as follows:

July 1st, 1938, to June 30th, 1939:

	Danzig gulden
Tobacco . . . . .	6,109,265.47
Excise . . . . .	5,466,261.32
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Making a total of . . . . .	11,575,526.79

According to Article 18 of the General Bond, the total receipts derived from both revenues must be equal to at least 150% of the maximum annual service of the loan, amounting to £173,000 when based on the original interest rate of 6½% per annum, or to £117,800 when calculated on the interest rate of 4½%, applicable since October 1st, 1937, in accordance with the Memorandum of August 27th, 1937. Based on the average daily official buying rate of sterling in Danzig for the six months preceding the last day of the year in question—in conformity with Article 19 of the General Bond—viz., 24.869 Danzig gulden to the pound sterling, the countervalue of these sterling amounts is Danzig gulden 4,309,797.70 and Danzig gulden 2,929,568.70 respectively. From these figures, it appears that in the period from July 1st, 1938, to June 30th, 1939, the total actual receipts from the Tobacco Monopoly and excise duties represented more than 268% and 395% of the amount required for the service of the loan.

Under date of April 25th, 1939, a decree was issued by the Senate of the Free City of Danzig requiring inland holders of bonds of Danzig external loans, including the Tobacco Monopoly State Loan of 1927, to have their bonds, expressed in foreign currency, stamped to the effect that interest and redemption of such bonds will in future be payable in Danzig gulden, instead of in pounds sterling; at the same time, special authority was given in the decree to the Senate of the Free City of Danzig to modify the conditions of such inland-owned bonds regarding the rate of interest and the amortisation, in which connection a decree was issued on June 12th, 1939, reducing the interest to 4% and extending the life of the bonds by twenty-five years.

Although the Senate of the Free City of Danzig is of the opinion that the decree, applicable to inland bond-holders only, does not detrimentally affect the rights of the foreign holders of the bonds, this unilateral action modifying the terms of the Memorandum of August 27th, 1937, constitutes, according to my judgment based on counsel's advice, an infringement of the terms of that memorandum, and affects the amount in sterling to be remitted to the London paying agents, inasmuch as the sterling annuities referred to in the memorandum will be reduced by the sterling amounts required under the memorandum on the bonds now stamped as payable in gulden.

In accordance with Article 30 of the General Bond, I have brought the matter to the notice of the Council of the League of Nations, and am awaiting the Council's decision whether or not the breach may be waived by the Trustee.

According to information received by me from the Bank of Danzig, bonds of the Tobacco Monopoly State Loan of 1927 to the value of £179,150, out of an outstanding total amount of £1,181,750, have until now been marked for future payment in Danzig gulden.

Under date of June 24th, 1939, a decree has been issued by the Danzig Government regulating the transfer of monies to countries with free exchange, in which connection the Bank of Danzig informed me, on July 11th, 1939, that for the Tobacco Monopoly State Loan of 1927 remittances

<sup>1</sup> For the last report, see *Official Journal*, August-September, 1938, page 680.

<sup>2</sup> See *Official Journal*, October 1927, page 1143.

to the London paying agents will be suspended until further notice, and that, in accordance with the stipulations of the decree, such service monies will be credited to a blocked gulden account in the name of the British Overseas Bank, Limited, London, as fiscal agent for the loan. According to the terms of that decree the loan-debtor will be discharged from his liabilities by making a payment in Danzig gulden.

This suspension of the regular transfer of the service-monies constituting a breach of the terms of the Memorandum of August 27th, 1937, as well as of the General Bond, I have sent an official letter of protest, both to the Senate of the Free City of Danzig and to the Bank of Danzig, and have drawn their attention to the fact that, in accordance with Clause 8 of the memorandum, it has now ceased to be operative and that all the conditions of the General Bond have automatically come into force again.

I have also protested against the fact that the gulden account referred to above has been opened in the name of the British Overseas Bank, Ltd., London, as fiscal agent for the loan, seeing that, in conformity with the stipulations of the General Bond, all income derived from the Tobacco Monopoly and excise on spirits is again to be credited to the special account in the Trustee's name at the Staatshauptkasse, and all monies to be received by the Bank of Danzig in that connection are to be credited to an account in the Trustee's name instead of in the name of the fiscal agent.

Although these latter facts do not fall within the period of this report, nevertheless I wish to mention that, in conformity with Article 30 of the General Bond, I have brought also this breach of the terms of the Memorandum of August 27th, 1937, and of the General Bond to the notice of the Council of the League of Nations, in order that the Council may decide whether to waive the breach—and thus acquiesce in the arrangements embodied in the decree—or not to waive the breach. I am now awaiting the Council's decision in that respect.

Amsterdam, August 14th, 1939.

(Signed) A. W. A. MEIJER.