

(2) Dr. Volkmann's scheme, as approved by the Senate, hinges on the foundation of a Bank of Issue, the capital of which would, of course, be furnished by private investors and would amount to approximately £200,000. It would be sound financial policy for Polish banks to contribute substantially to this capital. This would not exclude capital sums put up by foreign financial groups.

(3) As a matter of principle, it would be desirable for the representatives of the Polish Republic and the Free City of Danzig to agree, on reciprocal terms, to conditions for the acceptance of the currency of one country by the other, bearing in mind the letter and the spirit of the Warsaw Convention of October 1921.

(4) It would also be highly desirable that Poland should undertake not to oppose the putting of the currency reform into operation, and that the Free City on its part, should give in advance a definite undertaking to apply Article 36 of the Paris Convention as under

"Poland and the Free City of Danzig undertake to enter into negotiations, when circumstances permit, on the request of either of the two parties, with a view to unifying their monetary systems. An interval of one year shall be allowed before such unification, when it is decided on, comes into effect."

For this purpose, with the future in view, without adopting any one particular scheme, it would be enough to include the following formula in the statutes of the new Danzig Bank of Issue

"The rights and privileges conveyed by this instrument are subject to any measures which the application of Article 36 of the Paris Convention may involve, it being understood that the legitimate interests of the shareholders shall be duly safeguarded.

"Should the position of the Bank, under the currency system finally adopted, not prove satisfactory to the shareholders, they would have the right, on a resolution of the general meeting, to sell their shares to the State of Danzig at a premium to be agreed upon between the Free City of Danzig and the founders of the Bank."

It would be the business of the new Bank of Issue to obtain the necessary credits from abroad for the immediate stabilisation of the currency on its own credits, supported, if necessary, by signatures of recognised financial repute.

It would thus be unnecessary for the Free City to raise a loan on its own account, and the delays and difficulties inseparable from reference to the Reparation Commission and the Ambassadors' Conference would thereby be obviated.

The above summarises the general views of the Financial Committee. In formulating them, the members of the Financial Committee are unanimous in calling the Council's attention to the extreme urgency of the problem. They are of opinion that every day lost increases the danger, not only for the Free City of Danzig but also, by direct consequence, for the Polish Republic itself.

(Signed) A. JANSSEN.

---

Annex 572b.

C. 626. 1923. II.

FINANCIAL SITUATION OF THE FREE CITY OF DANZIG.

*Letter dated September 22nd, 1923, from the Chairman of the Financial Committee to the President of the Council, submitted to the Council on September 22nd, 1923.*

[Translation.]

On the 5th of this month I had the honour to forward to you, on behalf of the Financial Committee, the Committee's opinion with regard to the currency reform to be carried out in the Free City of Danzig. Since that date, the representatives of the Polish Government, on the one hand, and of the Free City on the other hand, have discussed the considerations contained in this letter and have accepted the general lines laid down therein.

I wish to inform you immediately of the reaching of this agreement, the importance of which you will appreciate. The text of the agreement has been forwarded to you by the parties concerned.

The Committee earnestly hopes that, thanks to this agreement, the currency reform will be put into execution as soon as possible and that thereby one of the essential conditions to the prosperity of the Free City will be fulfilled by the final re-establishment of its financial situation, to which the Committee has given careful attention for several years.

(Signed) A. JANSSEN.

---