

DRAFT SCHEDULE OF WORK FOR THE CONFERENCE.

The steps necessary for putting into practice the principles contained in the Resolution of January 6th include (A) the general objects to be aimed at by the Conference and (B) procedure at the Conference.

A. General objects to be aimed at.

1. The affirmation by the Conference of the Cannes Resolution.
2. The negotiation with the Russian Representatives of agreed bases for a Treaty of Peace between the Powers and Russia ensuring peace, the abandonment of propaganda and recognition of the principles relating to property embodied in the Resolution of January 6th, together with the setting up of some machinery to determine the payments to be made and the means of payment.
3. The conclusion of a European pact in accordance with Clause 6 of the Cannes Resolution, to provide against breaches of European peace.
4. The approval of a general resolution as regards the essential conditions for the restoration of confidence, and the framing of practical resolutions embodying the financial and economic (including transport) reforms which it is necessary to carry out to secure the restoration of Europe, and the steps that may be necessary in the transition period to hasten this end.
5. The conclusion of a convention or conventions for the restoration of Europe (to include the pact referred to in (3) above) by which the signatory countries would pledge themselves to give effect to such part of the Conference's recommendations as could be embodied in this form.

B. The above suggestions represent the objects for which Great Britain (or preferably, if previous agreement can be reached, the main Powers concerned) should aim. After passing a Resolution under (1) the Conference should appoint committees to consider the matters under (2), (3) and (4). The results of the work of the committees under (3) and (4) should, after approval by the Conference, be incorporated in the convention suggested under (5); for this purpose a drafting Committee will be required.

Ministers will no doubt serve as the principal delegates on Committees, and this will probably render it inconvenient for the Conference to remain in continuous session. Plenary sessions might be held, however, two or three times a week, to receive reports from Committees and deal with other business that may arise.

Annexed are suggested resolutions for submission to the Conference, and suggested resolutions in regard to financial economic and transport questions to be submitted to the Committees to be set up to deal with these questions. A rough draft of the financial, economic and transport clauses of a European Convention is also annexed as an indication of the lines upon which such an instrument might be drawn. A first draft of clauses to be proposed as bases for a Treaty with Russia is in course of preparation.

RESOLUTIONS TO BE SUBMITTED TO THE CONFERENCE.

1. The Powers here in conference accept the conditions laid down for the Conference by the Resolution passed by the Council of Principal Allied Powers at Cannes on January 6th, 1922, and affirm as follows:-

Note.- The following is taken from the Cannes Resolution.

The resumption of international trade throughout Europe and the development of the resources of all countries are necessary to increase the volume of productive employment and to relieve the widespread suffering of the European peoples. A united effort by the stronger Powers is necessary to eliminate the paralysis of the European system. This effort must include the removal of all obstacles in the way of trade, the provision of substantial credits for the weaker countries, and the co-operation of all nations in the restoration of normal prosperity. The fundamental conditions upon which this effort may be made with hope of success may be broadly stated as follows:-

1. Nations can claim no right to dictate to each other regarding the principles on which they are to regulate their system of ownership, internal economy, and government. It is for every nation to choose for itself the system which it prefers in this respect.
2. Before, however, foreign capital can be made available to assist the country foreign investors must be assured that their property and their rights will be respected, and the fruits of their enterprise secured to them.
3. Effective security cannot be re-established unless the Governments of countries desiring foreign credit freely indicate - (a) that they will recognise all public debts and obligations which have been or may be undertaken or guaranteed by the State or Municipalities or by any other public bodies as well as the obligation to restore or compensate all foreign interests for loss or damage caused to them when property has been confiscated or withheld; (b) that they will establish a legal and juridical system which sanctions and enforces commercial and other contracts with impartiality.
4. An adequate means of exchange must be available, and generally there must be financial and currency conditions which offer sufficient security for trade.
5. All nations should undertake to refrain from propaganda from motives subversive to order and the established political system in other countries than their own.
6. All countries should join in an undertaking to

2. Pursuant to paragraph 6 of the Cannes Resolution there shall be prepared for the approval of the Conference an undertaking to be signed on behalf of the States here represented to refrain from aggression against their neighbours. The Conference entrusts the drafting of this undertaking to a Committee consisting of
3. Considering that it is necessary for the general security and economic rehabilitation of Europe that the relations between Russia and the other States here represented should be settled upon a permanent basis, the Conference appoints the following Committee to prepare agreed bases for a Treaty embodying such a settlement:-
4. The States here assembled, recognising that essential conditions for the re-establishment of confidence and the reconstruction of the economic life of Central and Eastern Europe are (a) stability of values including international exchanges, (b) a minimum of regulation in restraint of trade, and (c) the restoration of facilities of communication and transport; desire that reports shall be submitted without delay to their consideration indicating the practical steps that can be taken to achieve these conditions, and accordingly appoint the following Committees to prepare proposals under the heads indicated above:-
 - (a) Committee on Financial Conditions, consisting of
 - (b) Committee on Economic Conditions, consisting of
 - (c) Committee on Transport Conditions consisting of

III

PACT OF PEACE.

[It is presumed that the Conference of Ministers will give the necessary instructions as to drafting provisions dealing with this question.]

IV

BASES FOR A TREATY OF PEACE WITH RUSSIA.

[A first draft of clauses to be proposed as bases for a treaty with Russia is in course of preparation.]

DRAFT RESOLUTIONS TO BE SUBMITTED TO FINANCIAL COMMITTEE.

1. CURRENCY.

(1) An essential requisite for the economic reconstruction of Europe is the achievement by each country of stability in the value of its currency. No country can gain control of its own currency so long as there is a deficiency in the annual budget which is met by the creation of paper money or bank credits. It is for every country to overcome such a deficiency by its own independent efforts, and only then will its way be open to currency reform.

(2) Measures of currency reform will be facilitated if the practice of continuous co-operation among central banks can be developed. A permanent association of central banks, not necessarily confined to Europe, would provide opportunities of co-ordinating credit policy, without hampering the freedom of the several banks.

(3) It is desirable that all European currencies should be based upon a common standard.

(4) Gold is the only common standard which all European countries could at present agree to adopt.

(5) In a number of countries it will not be possible for some years to restore an effective gold standard; but it is in the general interest that European Governments should declare now that this is their ultimate object, and should agree on the programme by way of which they intend to achieve it.

(6) In each country the first step towards re-establishing a gold standard will be the balancing of the annual expenditure of the State without the creation of fresh credit unrepresented by new assets.

(7) The next step will be to determine and fix the gold value of the monetary unit. Each country must decide, according to its own circumstances, whether to adopt the old gold parity or a new parity approximating to the exchange value of the monetary unit at the time.

(8) These steps might by themselves suffice to establish a gold standard, but its successful maintenance would be materially promoted, not only by the proposed association of central banks, but by an international agreement. This agreement, which might be based upon the system known as a gold exchange standard, should be framed with a view to centralising the demand for gold as currency, and avoiding those wide fluctuations in the purchasing power of gold which might otherwise result from simultaneous and competitive efforts of a number of countries to secure metallic reserves.

2. CREDITS.

The Conference, while it is confident that private credit will again become available as soon as currencies are stabilised and confidence is restored, recognises the necessity under existing conditions of special machinery for facilitating the immediate co-operation of the economically stronger countries for reconstruction purposes.

The States here represented are therefore agreed

(a) to approve the scheme of the International Corporation now before them.

(b) to support the Corporation and facilitate its operations.

(c) that it is essential for countries in need of credits to take steps at once to make their assets available to serve as security for the assistance they require, whether through the International Corporation or other channels, and immediately to enter into consultation with the Corporation or other agencies for the purpose of securing such co-operation.

CONFERENCE REPORT

The Conference recognises that one of the chief obstacles in the way of the restoration of trade is the collapsed condition and instability of many of the European exchanges, and that this is due to the continual depreciation of currency, the failure of production for export and the lack of trade facilities. It affirms its conviction that attempts to limit fluctuations in exchange by imposing artificial control on exchange operations are futile and mischievous; that the only sure remedy is to remove the causes of instability. In the meantime the carrying out of the recommendation of the Conference relating to credits would afford some relief.

The Conference therefore recommends:-

- (1) that all regulations attempting to limit fluctuations in exchange by means of artificial control of exchange operations should be abolished at the earliest possible date.
- (2) that the States here represented should undertake to remove within twelve months after substantial progress has been made in the restoration of a country's exchanges any special restrictions imposed on imports from that country on the ground of depreciated exchange.

VI.

DRAFT RESOLUTIONS TO BE SUBMITTED TO THE ECONOMIC COMMITTEE.

Facilities and guarantees for the import and export of Commercial products. (CUSTOMS TARIFFS AND RESTRICTIONS). -----

The Conference welcomes the decision reached at Portoroze by the States there assembled with regard to import and export restrictions and invites those States to take early steps to give effect thereto.

Inasmuch as the development of normal trade with all countries is only possible where traders are in a position to ascertain some time in advance the conditions under which goods can legally be imported into and exported from each country, it is resolved that any Customs restrictions and Customs duties incident to importation and exportation should be regulated by the following principles:-

- (i) All Customs Tariffs and Schedules of import restrictions should be made so far as possible applicable over substantial periods of time and changes both in rates of duty and in regulations with regard to restrictions should be made as rarely as possible, the practice of frequent modification to meet special circumstances being entirely abandoned.
- (ii) Every country has the right subject to special agreements to prohibit absolutely the importation of goods of certain descriptions in the interests of national health, political security, national morals, or for other special purposes, or to allow the importation of specified commodities only if consigned to recognised organisations either for the purpose of giving effect to a State monopoly or for seeing that the whole importation is put to a specified use, but prohibitions framed for any such purpose should be publicly announced and as limited in extent as possible.
- (iii) Where for any reason it is desired to limit the amount of any article to be imported through ordinary trade channels such limitation should preferably be effected by the medium of Customs duties rather than by a system of prohibitions modified by licences, and every country should at once examine the possibility of abandoning or reducing to the smallest possible dimensions the number of goods to which the latter system is applied, so that the general pre-war position in this regard may be attained so soon as possible save in so far as it has been modified by general International Conventions concluded since the outbreak of the war.
- (iv) Where nevertheless a system of prohibition accompanied by licences cannot wholly be dispensed with, licences should be granted on conditions which are publicly announced, unambiguously stated, and uniformly applicable

and these conditions should have no regard to the country of origin of the goods. Any trader should accordingly be in a position easily to estimate in advance whether and under what conditions a licence is procurable. Administration should be on the simplest lines possible and every arrangement should be made to secure that applications for licences are dealt with expeditiously by competent bodies organised for the purpose.

- (v) Similar provisions mutatis mutandis to those laid down in iii and iv should be applied in regard to any restriction of exportation which any country may find necessary for the purpose of conserving its economic resources.

With a view to securing the immediate application of these principles it is desirable that the Provisional Economic and Financial Committee of the League of Nations should be given power to enquire into the progress made by the various States in carrying them into operation, and to investigate complaints, to consult with the Governments concerned and to publish reports from time to time.

All the countries here assembled should keep this Committee regularly informed of all changes in Customs Tariffs or in the regulations relating to prohibition or restriction of imports or exports, and the Committee should be authorised to make recommendations to the countries concerned as regards any changes which may be proposed.

"Legal guarantees for the re-establishment of commerce".

(To be drafted).

ADMISSION OF FOREIGNERS IN THE CONDUCT OF BUSINESS.

1. Foreign firms or individuals carrying on any permitted trade, profession or occupation should be subject only to the same taxation as is borne by nationals.

The taxation of foreign companies should be based on similar principles and the system of taxation so framed and administered that branches of foreign companies carrying on permitted trades professions and occupations in the territory of any country should not bear a greater burden of taxation in that country than do the businesses carried on in the country by native companies.

[Note: It has been suggested that the British delegates should resist at the Conference any proposals relating to the admission of foreigners in the conduct of business which would conflict with the provisions of existing legislation in this country, e.g. the Non-Ferrous Metal Industry Act, 1918, the Trading with the Enemy Amendment Act, 1918 (Section 2, relating to banks controlled by ex-enemy subjects), and the Aliens Restriction Amendment Act, 1919.]

2. It is desirable that, in the matter of passport visa regulations, all countries should at once adopt and put into practice in their entirety the recommendations of the International Conference on Passports, Customs Formalities and Through Tickets held at Paris in October, 1920, under the auspices of the Provisional Committee on Communications and Transit of the League of Nations.

[Note: This proposal has received the concurrence of the Home Office.]

The more important of the Paris resolutions may be summarised as follows:-

- (a) The abolition of the visa for exit.
- (b) All entrance visas to be valid for one year unless limited to a shorter period for special reasons. The validity of a transit visa to be the same as the period of validity of the visa of the country of destination.
- (c) The maximum fees charged for visas to be -
Entrance visa 10 francs (gold).
Transit visa 1 franc (gold).
- (d) The transit visa, unless for exceptional reasons (e.g. undesirables), to be issued at once without enquiry solely upon production of the entrance visa for the country of destination in addition to transit visas for the intermediate countries.]

VII.

RESOLUTIONS TO BE SUBMITTED TO TRANSPORT COMMITTEE.

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1. The Conference, recognising that efficient transport is the first requisite for the revival of production and trade, calls on the States to devote their unremitting efforts to the restoration and improvement of the structure, equipment and organisation of their railways, harbours and other means of communication, and recommends that where the present resources of any State appear to be inadequate to the task, steps should be taken without delay to secure assistance whether from the International Corporation or other suitable source.

2. The Conference approves the Agreement for the Regulation of International Railway Traffic signed at Portorose on the 23rd November, 1921, and recommends that the principles of that Agreement should immediately be applied to all the European States represented at Genoa. It requests the Council of the League of Nations to authorise the Advisory and Technical Committee for Communications and Transit of the League, acting if necessary through specially appointed committees of experts.

- (a) to enquire into the measures already taken to carry the Portorose Agreement into effect;
- (b) to suggest, in consultation with the Governments concerned, any modifications in detail necessary to apply its principles to the circumstances of States not represented at Portorose, and
- (c) to make such recommendations as may seem fit to secure the immediate and effective carrying out of the objects of the Agreement in regard to all the States concerned.

3. The Conference welcomes the Conventions concluded at Barcelona on the 20th April, 1921, regarding Freedom of Transit and the Regime of Navigable Waterways of International Concern, together with the additional Protocol to the latter Convention, and the Recommendations relative to the International Regime of Railways; it calls the attention of the Council of the League of Nations to the necessity of convening at the earliest possible date the proposed Conference for the preparation and conclusion of a Convention on Railways and of expediting the preliminary enquiries of the Advisory and Technical Committee of the League.

PROTECTION OF INDUSTRIAL PROPERTY AND
COPYRIGHTS.

It is desirable that all States that have not already done so should at once take steps to adhere to the International Convention of Paris of March 20th, 1883, as revised at Washington in 1911, for the protection of industrial property and to the International Convention of Berne of September 9th, 1886, revised at Berlin on November 13th, 1908, and completed by the Additional Protocol signed at Berne on March 20th, 1914, for the Protection of Literary and Artistic Work.

Pending such adhesion every State should, in so far as Industrial, Literary and Artistic property is not now reciprocally protected as between itself and any other of the Signatory States, give effective protection to such property on condition of reciprocity; and should further - save in so far as such rights have been or shall be dealt with by the Treaties of Peace with Germany Austria, Hungary, Bulgaria and Turkey, - recognise, restore, and protect all rights in such property belonging to the nationals of other States which might now have been in force in its territory, except for any exceptional legislative or administrative action taken in consequence of war or revolution between August 1st, 1914, and the present date.

VIII.

PRELIMINARY DRAFT OF CONVENTION FOR THE RESTORATION OF EUROPE.

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The Governments here represented, having regard to the necessity of giving immediate effect to the resolutions adopted by the Conference hereby agree as follows:-

1. The Governments signatory to this Convention undertake to co-operate in the establishment and working of the Central International Corporation and the National Corporations affiliated therewith, the constitution of which is scheduled to this Convention.
2. Those States which desire assistance will take steps at once to make their assets available to serve as security for the assistance required through the Corporation or other agencies.
3. The Signatory States agree to adopt gold as their eventual monetary standard, and, with this end in view, to set on foot an international gold standard monetary convention, the essential features of which are stated in the annex to this Convention.
4. They further agree to do all in their power to promote the practice of continuous co-operation among central banks, if possible through a permanent association, with a view to co-ordinating credit policy, without hampering the freedom of the several banks.
5. The Signatory States are agreed that within twelve months after the depreciation of a country's currency in relation to gold has ceased and substantial progress has been made with the rectification of exchanges, they will abandon any policy of special protection against imports from that country on the ground of its abnormally depreciated exchange.
6. Those States whose representatives were signatories of the agreement relating to customs regulations and restrictions signed at Portoroze in November, 1921, undertake, so far as they have not already done so, to adopt the recommendations of that agreement and to take steps without delay for giving effect to them.
7. Inasmuch as the development of normal trade is only possible where traders are in a position to ascertain some time in advance the conditions under which goods can legally be imported into and exported from each country it is agreed that any Customs restrictions and Customs duties incident to importation and exportation shall be regulated by the following provisions:-

(i) All Customs Tariffs and Schedules of Import Restrictions shall be made so far as possible applicable over substantial periods of time and changes both in rates of duty and in regulations with regard to restrictions shall be made

(ii) While every country has the right, subject to special agreements, to prohibit absolutely the importation of goods of certain descriptions in the interests of national health, political security, national morals, or for other special purposes, or to allow the importation of specified commodities only if consigned to recognised organisations either for the purpose of giving effect to a State monopoly or for securing that the whole importation is put to a specified use, any prohibitions framed for any such purpose shall be publicly announced and as limited in extent as possible.

(iii) Where for any reason it is desired to limit the amount of any article to be imported through ordinary trade channels such limitation shall so far as possible be effected by the medium of Customs duties rather than by a system of prohibitions modified by licences, and every country shall at once examine the possibility of abandoning or reducing to the smallest possible dimensions the number of goods to which the latter system is applied, so that the general pre-war position in this regard may be attained so soon as possible, save in so far as it has been modified by general International Conventions concluded since the outbreak of the war.

(iv) Where nevertheless a system of prohibition accompanied by licences cannot wholly be dispensed with, licences shall be granted on conditions which are publicly announced, unambiguously stated and uniformly applicable, and these conditions shall have no relation to the country of origin of the goods. Any trader shall accordingly be placed in a position easily to estimate in advance whether and under what conditions a licence is procurable. Administration shall be on the simplest lines possible and every arrangement shall be made to secure that applications for licences are dealt with expeditiously by competent bodies organised for the purpose.

(v) Similar provisions mutatis mutandis to those laid down above shall be applied in regard to any restriction of exportation which any country may find necessary for the purpose of conserving its economic resources.

(vi) The States signatory to this Convention will give all information and assistance to an appropriate international expert Committee to enable that body to enquire into the progress made by the various states in carrying the above provisions into operation, and to investigate complaints. A request shall be addressed to the League of Nations on behalf of the signatory States that the Provisional Economic and Financial Committee of the League of Nations may be authorised to act as this Committee.

(vii) This Committee shall be kept regularly informed of all changes in Customs Tariffs or in the regulations relating to the prohibition or restriction of imports or exports, and shall be authorised to make recommendations to

8. Foreign firms or individuals carrying on any permitted trade, profession or occupation within the territory of any of the States signatory of the present Convention shall be subject only to the same taxation as is borne by nationals.

The taxation of foreign companies shall be based on similar principles and the system of taxation so framed and administered that branches of foreign companies carrying on permitted trades, professions and occupations in the territory of any country shall not bear a greater burden of taxation in that country than do the businesses carried on in the country by native companies.

9. Those States which have not yet done so undertake within six months from the coming into force of the present Convention to adopt and put into practice the recommendations of the International Conference on Passports, Customs Formalities and Through Tickets held at Paris in October, 1920, under the auspices of the Provisional Committee on Communications and Transit of the League of Nations.
10. So far as they have not already done so, the signatory States undertake to adhere to the International Convention of Paris of March 20th, 1883, as revised at Washington in 1911; for the protection of industrial property and to the International Convention of Berne of September 9th, 1886, revised at Berlin on November 13th, 1908, and completed by the Additional Protocol signed at Berne on March 20th, 1914, for the Protection of Literary and Artistic Work.

Pending such adhesion each of the Signatory States agrees that in so far as Industrial, Literary, and Artistic property is not now reciprocally protected as between itself and any other of the Signatory States it will in all such cases give effective protection to such property on condition of reciprocity; and further that, - save in so far as such rights have been or shall be dealt with by the Treaties of Peace with Germany, Austria, Hungary, Bulgaria, and Turkey, - it will upon the same condition recognise, restore, and protect all right in such property belonging to the nationals of other signatory States which might now have been in force in its territory, except for any exceptional legislative or administrative action taken in consequence of war or revolution between August 1st, 1914, and the date of this Convention.

11. (a) Those States which have not already done so undertake within six months from the coming into force of the present Convention to ratify or accede to the Conventions concluded at Barcelona on the 20th April, 1921, regarding Freedom of Transit and the Regime of Navigable Waterways, of International Concern, together with the Additional Protocol to the latter Convention, and to accept the Recommendations relative to the International Regime of Railways.*

* Accession by States not members of the League of Nations can only be made if the Council decide officially

(b) Those States parties to the Agreement signed at Portoroze on the 23rd November, 1921, for the removal of impediments to international railway traffic, who have not already ratified this Agreement undertake to do so within six months from the date of the present Treaty.

The parties to the Agreement undertake to afford all information and facilities to the Advisory and Technical Committee for Communications and Transit of the League of Nations in enquiring into the measures already taken to carry the Agreement into effect, and they undertake to consider any recommendations made by the Committee for facilitating the immediate and effective carrying out of the objects of the Agreement.

Those States not parties to the Agreement will take steps, so far as practicable, for the application of its principles so far as they are concerned. For this purpose the States concerned will consider such recommendations as may from time to time be made by the Advisory and Technical Committee to facilitate the immediate and effective carrying out of the objects of the Agreement in the case of particular States, and any modifications in detail of the terms of the Agreement suggested by the Committee for the purpose of rendering them suitable for application in the case of such States. They will afford all information and facilities to the Committee in preparing such recommendations and suggestions.

12. No claim can be made on the ground of this Convention to any benefit arising under it by any signatory State which fails to carry out the provisions of the Convention, and it is agreed that any dispute as to observance shall be referred to the arbitrament of the League of Nations.

INTERNATIONAL GOLD STANDARD MONETARY CONVENTION.

(1) The Governments of the participating countries declare that the restoration of an effective gold standard is their ultimate object, and they agree to carry out, as rapidly as may be in their power the following programme:-

(a) In order to gain effective control of its own currency, each government must meet its annual expenditure without resorting to the creation of paper money or bank credits for the purpose.

(b) The next step will be to determine and fix the gold value of the monetary unit. This will not necessarily be at the former gold par.

(c) The gold value so fixed must then be made effective. The proof that this has been accomplished will be the free quotation of the national currency at par in the international exchange markets.

(d) The maintenance of the currency at its gold value must be assured by the provision of an adequate reserve of approved assets, not necessarily gold.

(2) Certain of the participating countries will be constituted gold centres and will bind themselves to maintain a free market in gold.

(3) The other members of the Convention, while they will not be precluded from retaining gold reserves at home, will maintain at the gold centres an adequate reserve of approved assets in the form of bank credits, bills, short-term

securities or other suitable liquid resources.

(4) The ordinary practice of a participating country will be to issue additional paper money only against equal additions to its reserves of approved assets at the gold centres, and to offer credits on a gold centre within a prescribed fraction of parity in exchange for its own paper money on demand.

(5) The Convention will thus be based on a gold exchange standard. The condition of continuing membership will be the maintenance of the national currency unit at the prescribed value. Failure in this respect will entail suspension of full membership.

(6) The Government of each country will be responsible to the Convention for maintaining the international value of its currency at par, but will be left entirely free to devise and apply the means, whether through regulation of credit by central banks or otherwise.

(7) In the countries selected as gold centres credit will be regulated not only with a view to maintaining the currencies at par with one another, but also with a view to preventing undue fluctuations in the purchasing power of gold. It is not contemplated, however, that the discretion of the central banks should be fettered by any definite rules framed for this purpose.

ORGANISING COMMITTEE
OF
THE CENTRAL INTERNATIONAL CORPORATION
AND
NATIONAL CORPORATIONS.

Report
OF
Result of London Conference,

FEBRUARY 21st to 25th, 1922.

The Conference of International Delegates assembled in London resolved to use their best endeavours to procure the establishment of National Corporations in various countries affiliated together and with a Central International Corporation to be formed in London.

The main object of the Corporations will be to examine the opportunities for undertaking work in connection with European reconstruction and to assist in the financing of such undertakings. The policy of the Corporations will be to co-operate where possible with other agencies and undertakings and not to attempt to create any monopoly.

It is recognised that exchange difficulties prevent the formation of one single consolidated Corporation and necessitate the establishment of various National Corporations.

It is, however, intended that the National Corporations should, as far as possible, work together as one entity under the control of The Central International Corporation, in which all the National Corporations will hold shares, and on whose Board they will all be represented. To obtain this result an Agreement will be made between all the Corporations on the lines of the draft Agreement approved by the Conference and signed by the Chairman.

The Memorandum and Articles of Association of the proposed British National Corporation, as approved by the Conference and signed by the Chairman, will be the basis for the formation of the various National Corporations, subject to any adjustments necessary to conform to the laws of each country.

The aggregate capital of the National Corporations in the first instance will be fixed at the equivalent of £20,000,000, of which 25 per cent. is to be immediately called up. Government guarantees will be requested where necessary to enable this capital to be raised.

The initial capital of The Central International Corporation will be fixed at £2,000,000, and will be provided by subscriptions by the National Corporations of approximately 10 per cent. of their original capital. The Central International Corporation to be exempted from British taxes.

The following countries were invited to subscribe respectively 20 per cent. of the total £20,000,000 proposed to be raised, viz. :—Great Britain, France, Germany, Italy, Belgium.

It was agreed that the following countries should be invited also to participate if they so desire, viz. :—United States of America, Japan, Denmark, Holland, Switzerland, Czecko-Slovakia.

Capital allocated to these countries will be applied proportionately in reduction of the 20 per cent. which the five countries first mentioned have been invited to subscribe, or, if necessary, as the Board of The Central International Corporation, when formed, may decide.

The Board of Directors of The Central International Corporation will have power to allow other countries to participate if they so desire, and, if necessary, will increase the capital for that purpose.

As soon as three countries are in a position to form their National Corporations and raise their capital, the National Corporations in those countries and The Central International Corporation are to be formed.

The Governments interested are urged to obtain legislative authority to give any necessary guarantees to their National Corporations as soon as possible, so as to enable the Corporations to be established and commence operations at the earliest moment.

The Delegates in Conference are unanimously of opinion that the Corporations should not do business with or in any country which does not:—

(A) Recognise all public debts and obligations undertaken in the past or to be undertaken by the State as well as the obligation to restore, or in default of restoration to compensate all foreign interests for loss or damage caused to them when property has been confiscated or withheld ;

(B) Establish a legal system which sanctions or enforces trade and other contracts with impartiality ;

(c) Give security for Trade.

Annexed to this Report are copies of:—

(A) The Minutes of the Meetings of the Conference held in London on February 21st, 22nd, 23rd, 24th and 25th, 1922.

(B) The draft Memorandum and Articles of Association of the proposed Central International Corporation.

(c) The draft Memorandum and Articles of Association of the proposed British National Corporation forming the agreed basis for the establishment of all National Corporations.

(D) The draft Contract to be made between The Central International Corporation and all the National Corporations collectively.

INVERFORTH	} Great Britain	} <i>Delegates.</i>
JOHN FERGUSON ...	...	...
C. SERGENT ...	...	...	France
GUIDO JUNG ...	...	...	} Italy
GUIDO SAGROMOSO ...	...	...
FELICIEN CATTIER ...	...	...	} Belgium
ROBERT BETTE ...	...	...
T. OKUBO ...	...	...	Japan
J. GRANT FORBES ...	...	...	Unofficially representing U.S.A.
BERGMANN ...	...	...	} Germany
KEMPNER ...	...	...
E. R. GLUCKSTADT ...	...	...	Denmark

LONDON,

B. H. BINDER, *Secretary.*

25th February, 1922.

ORGANISING COMMITTEE
OF
THE CENTRAL INTERNATIONAL CORPORATION
AND
NATIONAL CORPORATIONS.

Minutes of London Conference,

FEBRUARY 21st to 25th, 1922.

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ORGANISING COMMITTEE
OF
THE CENTRAL INTERNATIONAL CORPORATION
AND
NATIONAL CORPORATIONS.

Minutes of London Conference.

*First Meeting held at 16 Charles Street, Haymarket, London,
on Tuesday, February 21st, 1922.*

PRESENT :

LORD INVERFORTH	...	...	} <i>Great Britain.</i>
SIR JOHN FERGUSON, K.B.E.	...	...
M. EUGÈNE SCHNEIDER	...	...	} <i>France.</i>
M. CHARLES SERGENT	...	...
SIGNOR GUIDO JUNG	...	...	} <i>Italy.</i>
SIGNOR GUIDO SAGRAMOSO	...	...
M. FELICIEN CATTIER	...	...	} <i>Belgium.</i>
M. ROBERT BETTE	...	...
MR. T. OKUBO	...	...	<i>Japan.</i>
MR. L. P. SHELDON	...	...	} <i>Unofficially representing</i>
MR. J. GRANT FORBES	...	...		U.S.A.

IN ATTENDANCE :

M. PAUL MASSIOT, *Secretary of French Delegates.*
M. WITMEUR, *Secretary of Belgian Delegates.*
MR. B. H. BINDER, *Secretary of British Delegates and of the
Conference.*
MR. J. R. CAHILL, *of the British Embassy, Paris, Interpreter.*

CHAIRMAN. Upon the motion of M. Schneider, Lord Inverforth was unanimously
invited to take the chair.

SECRETARY. Mr. Binder, the Secretary of the British Delegates, was asked to act
as Secretary of the Conference.

Lord Inverforth extended to all the Delegates a very warm welcome
to London and expressed the hope that the Delegates would satisfactorily
and quickly complete the work before them.

CENTRAL
INTERNATIONAL
CORPORATION
AND NATIONAL
CORPORATIONS
AND THEIR
RELATIONSHIP.

He stated that as it had already been decided that, on account of exchange difficulties, separate National Corporations should be formed in various countries, affiliated with a Central Corporation in London, it would be necessary to agree upon the relationship between the National Corporations and the Central Corporation. In order to facilitate this task, the Memorandum and Articles of Association of the proposed Central International Corporation and of the British National Corporation had been prepared, together with draft of an agreement to be made between the National Corporation and the Central Corporation, and prints of these documents were distributed among the Delegates.

The Chairman hoped that these documents would form a basis for the formation of the Corporations and the relationship between them. He added that time would be given for their perusal and to enable them to be fully discussed.

CAPITAL OF THE
NATIONAL
CORPORATIONS.

After a cursory inspection of the documents the French Delegates stated that the Memorandum and Articles of Association were evidently drawn to give the Corporations very wide powers, but that, as regards the French National Corporation, if the public were asked to subscribe capital it would be necessary to indicate more specifically the work contemplated to be done by the Corporation.

The Chairman explained that the work to be carried out would be decided by the Board of the Central Corporation, and that generally the functions of the Corporations were defined at a previous Conference as follows :—

“To examine the opportunities for undertaking work in connection with European reconstruction, and to assist in the finance of such undertakings.”

After further discussion as to the method of raising the required capital, it was explained that the British National Corporation would receive from the British Government a guarantee as to principal.

The French and Belgian Delegates stated that they had not discussed with their Governments the question of a guarantee, and that if that could be obtained it would facilitate the subscription of capital in their respective countries. They asked for particulars of the terms of the proposed British guarantee in order that they might advise their Governments.

A memorandum containing the following outline agreed upon with the British Treasury was handed to each Delegate :—

“The original capital of £4,000,000 of the British National Corporation will be guaranteed by the British Government as to principal.”

" The guarantee will be amortised out of profits by the creation
 " by the British Corporation of a Special Reserve Fund by the
 " transfer thereto of 20 per cent. of the surplus profits in each year
 " in excess of the amount required to pay a dividend of 6 per cent.
 " on the amount of capital issued and guaranteed. When this
 " Special Reserve Fund reaches a total of £1,000,000 the capital
 " guaranteed is to be reduced by such amount, and by each subsequent
 " £1,000,000 of the Special Reserve Fund until the guarantee has
 " been extinguished."

The Italian Delegates stated that discussions had already taken place with their Government in regard to a guarantee in respect of the capital of their proposed National Corporation and that they believed that the suggestion was receiving the Italian Government's sympathetic consideration.

The French and Belgian Delegates considered that it would be impossible for them to decide definitely the question of the capital of their National Corporations until they had arranged definitely with their respective Governments in regard to the question of a guarantee.

The Chairman proposed that the question as to the method of raising the capital should be reserved, as that was a matter to be dealt with by each country respectively, and that, subject to this point, the other items on the Agenda might be considered.

After discussion it was decided that the total capital of the National Corporations to be formed in the first instance should be the equivalent of £20,000,000, and that 10 per cent. thereof should be subscribed to the capital of The Central International Corporation.

After discussion it was decided that the following countries should each be invited to subscribe 20 per cent. of the proposed total capital of £20,000,000, viz. :—Great Britain, France, Germany, Italy and Belgium.

PARTICIPATION OF OTHER COUNTRIES.

It was decided that when the main principles of the scheme had been agreed, the following countries, in addition to the United States, should be invited to participate, namely, Denmark, Holland, Switzerland, Czecho-Slovakia, on the understanding that any amounts which might be allocated to such countries, should be applied proportionately in reduction of the 20 per cent. to be taken by the first five countries already mentioned, or if necessary as the Board of the Central Corporation might decide.

It was further agreed that the Board of the Central Corporation should have power to allow other countries to participate and, if necessary, to increase the capital for that purpose.

INVITATIONS
TO OTHER
COUNTRIES.

The suggestion that Delegates from Germany and Denmark should be invited to the Conference was agreed to in principle, but it was decided to defer issuing these invitations until the Conference had had an opportunity of discussing the Memorandum and Articles of Association and the Agreement between the National Corporations and the International Corporation.

As the other items on the Agenda were connected with the consideration of these documents it was decided to adjourn the Meeting until 3 o'clock on Wednesday, February 22nd, in order that the Delegates might have an opportunity of studying them.

(Signed) INVERFORTH.

Minutes of London Conference.

*Second Meeting held at 16 Charles Street, Haymarket, London,
on Wednesday, February 22nd, 1922.*

PRESENT :

LORD INVERFORTH	...	...	} <i>Great Britain.</i>
SIR JOHN FERGUSON, K.B.E.	...	...
M. CHARLES SERGENT	...	...	<i>France.</i>
SIGNOR GUIDO JUNG	...	...	} <i>Italy.</i>
SIGNOR GUIDO SAGRAMOSO	...	...
M. FELICIEN CATTIER	...	...	} <i>Belgium.</i>
M. ROBERT BETTE	...	...
MR. T. OKUBO	...	...	<i>Japan.</i>
MR. J. GRANT FORBES	...	...	<i>Unofficially representing U.S.A.</i>

IN ATTENDANCE :

M. PAUL MASSIOT, *Secretary of French Delegates.*
M. WITMEUR, *Secretary of Belgian Delegates.*
MR. B. H. BINDER, *Secretary of British Delegates and of the
Conference.*
MR. HAROLD G. BROWN, *Solicitor.*
MR. J. P. CAHILL, *Interpreter.*

MINUTES.

The Minutes of the Meeting held on February 21st were read and signed as correct.

JAPAN.

A letter to Lord Inverforth from Mr. T. Okubo, the Japanese Delegate, dated February 21st, was read as follows :—

“ I beg to confirm my conversation with you this morning,
“ when I communicated to you the message I had received from
“ Japan to the effect that as the circumstances of Japan with
“ regard to the organisation of the International Corporation are
“ somewhat different from those of the European countries, she is
“ not in a position, at present, to take an actual participating part in
“ the scheme.

" As I explained, however, Japan is very desirous to see the
" reconstruction and prosperity of Europe achieved, and anxious
" to do all in her power to help the International Corporation to
" successfully attain its end.

" It will give me great pleasure, therefore, to attend the meet-
" ings of the Organising Committee in this sense, and with this
" intention, if the other members are agreeable."

M. Cattier stated that he presumed the idea to be followed would
be that although various National Corporations would be formed, owing
to difficulties in exchange preventing the formation of one consolidated
Corporation, the relations between the National Corporations and the
Central Corporation should be such that in effect it would be as though
they were one Corporation.

This was unanimously accepted.

The Chairman stated that the Memorandum and Articles of Asso-
ciation and the draft Contract to be examined by the Committee had
been drawn up on these lines.

The Memorandum and Articles of Association of The British
National Corporation were discussed and several modifications were
made therein. As modified the Memorandum and Articles of Associa-
tion were generally agreed as a basis for the formation of the various
National Corporations, subject to any further adjustments necessary to
conform to the laws of each country.

These were discussed and various modifications agreed upon.

It was decided that each Delegate should consider various further
modifications suggested therein with the object of coming to an agree-
ment thereon at the next Meeting.

It was unanimously decided that Delegates from Germany be invited
to attend the Meeting to be held to-morrow, Thursday, February 23rd,
at 3 p.m., to which day and time it was decided to adjourn the Meeting.

(Signed) INVERFORTH.

NATIONAL
CORPORATION
MEMORANDUM
AND ARTICLES
OF ASSOCIATION.

CENTRAL
INTERNATIONAL
CORPORATION
MEMORANDUM
AND ARTICLES
OF ASSOCIATION.

Minutes of London Conference.

*Third Meeting held at 16 Charles Street, Haymarket, London,
on Thursday, February 23rd, 1922.*

PRESENT:

LORD INVERFORTH	...	...	} <i>Great Britain.</i>
SIR JOHN FERGUSON, K.B.E.	...	...
M. CHARLES SERGENT	...	...	} <i>France.</i>
SIGNOR GUIDO JUNG	...	...
SIGNOR GUIDO SAGROMOSO	...	...	} <i>Italy.</i>
M. FELICIEN CATTIER	...	...
M. ROBERT BETTE	...	...	} <i>Belgium.</i>
MR. T. OKUBO	...	...
MR. J. GRANT FORBES	...	...	} <i>Unofficially representing U.S.A.</i>
HERR BERGMANN	...	...
HERR KEMPNER	...	...	} <i>Germany.</i>

IN ATTENDANCE.

M. PAUL MASSIOT, *Secretary of French Delegates.*
M. WITMEUR, *Secretary of Belgian Delegates.*
MR. B. H. BINDER, *Secretary of British Delegates, and of the
Conference.*
MR. HAROLD G. BROWN, *Solicitor.*
MR. J. P. CAHILL, *Interpreter.*

MINUTES.

The Minutes of the Meeting held on February 22nd were read and signed as correct.

CENTRAL INTERNATIONAL CORPORATION MEMORANDUM AND ARTICLES OF ASSOCIATION.

These were again considered and discussed, and several modifications were made therein.

It was agreed to delete from the Articles of Association the provision that the Chairman should be of British nationality, but it was unanimously decided that a British subject should always be chosen as Chairman of the Central Corporation.

The Memorandum and Articles of Association of the Central Corporation as modified were approved.

AGREEMENT
BETWEEN
CENTRAL
CORPORATION
AND NATIONAL
CORPORATIONS.

The draft Agreement was considered and discussed.

It was decided that the form should be altered so that the Agreement would be made between the Central Corporation and all the National Corporations collectively who would become Shareholders of the Central Corporation.

Various modifications in the wording of the Agreement were proposed and discussed and it was decided to re-draft certain clauses for consideration at the next meeting.

It was decided to adjourn the Meeting to Friday, February 24th, at 3 p.m.

(Signed) INVERFORTH.

Minutes of London Conference.

*Fourth Meeting held at 16 Charles Street, Haymarket, London,
on Friday, February 24th, 1922.*

PRESENT :

LORD INVERFORTH	...	...	} <i>Great Britain.</i>
SIR JOHN FERGUSON, K.B.E.	...	...
M. CHARLES SERGENT	...	...	<i>France.</i>
SIGNOR GUIDO JUNG	...	...	} <i>Italy.</i>
SIGNOR GUIDO SAGROMOSO	...	...
M. FELICIEN CATTIER	...	...	} <i>Belgium.</i>
M. ROBERT BETTE	...	...
MR. T. OKUBO	...	...	<i>Japan.</i>
MR. J. GRANT FORBES	...	...	<i>Unofficially representing U.S.A.</i>
HERR BERGMANN	...	...	} <i>Germany.</i>
HERR KEMPNER	...	...

IN ATTENDANCE :

M. PAUL MASSIOT, *Secretary of French Delegates.*
 MR. B. H. BINDER, *Secretary of British Delegates and of the
Conference.*
 MR. HAROLD G. BROWN, *Solicitor.*
 MR. J. P. CAHILL, *Interpreter.*

MINUTES.

The Minutes of the Meeting held on February 23rd were read and signed as correct.

AGREEMENT
BETWEEN
CENTRAL
CORPORATION
AND NATIONAL
CORPORATIONS.

This was further considered and discussed. Various amendments were suggested and adopted. The agreement as modified was approved.

It was decided to adjourn the Meeting to Saturday, February 25th, at 11.30 a.m.

(Signed) INVERFORTH.

Minutes of London Conference.

*Fifth Meeting held at 16 Charles Street, Haymarket, London,
on Saturday, February 25th, 1922.*

PRESENT :

LORD INVERFORTH	...	...	} <i>Great Britain.</i>
SIR JOHN FERGUSON, K.B.E.	...	...
M. CHARLES SERGENT	...	...	<i>France.</i>
SIGNOR GUIDO JUNG	...	...	} <i>Italy.</i>
SIGNOR GUIDO SAGROMOSO	...	...
M. FELICIEN CATTIER	...	...	} <i>Belgium.</i>
M. ROBERT BETTE	...	...
MR. T. OKUBO	...	...	<i>Japan.</i>
MR. J. GRANT FORBES	...	...	<i>Unofficially representing U.S.A.</i>
HERR BERGMANN	...	...	} <i>Germany.</i>
HERR KEMPNER	...	...
MR. E. R. GLUCKSTADT	...	...	<i>Denmark.</i>

IN ATTENDANCE :

M. PAUL MASSIOT, *Secretary of French Delegates.*
M. WITMEUR, *Secretary of Belgian Delegates.*
MR. B. H. BINDER, *Secretary of British Delegates and of the
Conference.*
MR. HAROLD G. BROWN, *Solicitor.*

MINUTES.

The Minutes of the Meeting held on February 24th were read and signed as correct.

DANISH DELEGATE.

The Chairman stated that he welcomed at the Conference to-day Mr. E. R. Gluckstadt, the Delegate from Denmark, who had been in London several days, but had been prevented by illness from accepting an invitation to attend the Conference until now.

PROVISION FOR
PRELIMINARY
EXPENSES.

The Secretary reported that he had received £10,000 as a contribution towards Preliminary Expenses, etc., from the following Governments :—

Great Britain	...	...	...	£2,000
France	...	...	...	2,000
Italy	...	...	...	2,000
Belgium	...	...	...	2,000
Japan	...	...	...	2,000
Total	...	...	...	<u>£10,000</u>

Herr Bergmann stated that he expected the German Government would also contribute £2,000.

DATE OF FOR-
MATION OF
THE CENTRAL
INTERNATIONAL
CORPORATION
AND NATIONAL
CORPORATIONS.

The Chairman stated that having agreed the general basis for the formation of The Central International Corporation and various National Corporations and their main relationship, it remained to be decided when the various Corporations should be formed. He was of opinion that this should be done as soon as possible. He pointed out that the first arrangements to be made must be those for raising capital for the proposed National Corporations, of which 25 per cent. should be immediately called up. It was the opinion of the Conference that in most, if not all, cases a Government guarantee would be necessary to enable this to be done. Although the British Government had promised to promote legislation to authorise a guarantee of the capital of the proposed British National Corporation other Governments had not yet given a decision on this point.

It would remain for the Nationals of each country concerned to make the necessary representations to their respective Governments to obtain the required decisions. He suggested that the Delegates from France, Germany, Italy and Belgium should use their best endeavours to obtain a favourable decision from their Governments by Saturday, March 11th, with a promise to pass any necessary legislation as speedily as possible so that the required Government guarantees could be effectively available and enable the Corporations to be formed and their capital raised at an early date.

This suggestion was agreed to by the Delegates from France, Germany, Italy and Belgium, but certain reservations were made by M. Sergent, who read the following Memorandum :—

“J’ai participé de grand coeur aux travaux du Comité d’Organisation de la Société Internationale et je constate avec plaisir les excellents

résultats qui ont été obtenus. La bonne volonté des Délégués, le souci de l'intérêt général des peuples qui n'a cessé de les animer ont permis d'écarter de nombreuses difficultés.

" Je suis obligé néanmoins d'exprimer des réserves.

" En premier lieu, je tiens à rappeler que les observations que j'ai pu faire sur les différents textes discutés ont été présentées sous la réserve de toutes autres qu'un examen moins rapide et plus approfondi, notamment au point de vue juridique, pourra provoquer.

" D'autre part, j'aurais désiré que fussent reproduites, tout au moins dans un document annexe, les conditions fondamentales formulées auparavant pour la possibilité d'une restauration économique de l'Europe. A mon avis, la constitution et le fonctionnement de Sociétés dont le but principal, il faut le dire, est la reconstitution de la Russie, devraient être subordonnés, dans les circonstances actuelles, non seulement à la reconnaissance formelle mais à la réalisation de ces conditions.

" Enfin je ne puis donner l'assurance qu'il sera possible, en fait et en droit, de fonder en France, où les besoins de capitaux pour la restauration des pays dévastés sont bien loin d'être satisfaits, une Société dont le premier acte sera la souscription obligatoire d'actions de la Société Internationale, c.à.d. une exportation de capitaux, et qui s'engage moralement à financer de nombreuses et importantes affaires au dehors."

It was decided that the Corporations should not do business with or in any country which does not:—

(A) Recognise all public debts and obligations undertaken in the past or to be undertaken by the State as well as the obligation to restore or in default of restoration to compensate all foreign interests for loss or damage caused to them when property has been confiscated or withheld.

(B) Establish a legal system which sanctions or enforces trade and other contracts with impartiality

(c) Give security for Trade.

M. Cattier pointed out that the provisional acceptance by the Belgian Delegates of the legal documents submitted would not preclude the suggestion of further minor modifications, and also that their general acceptance of the proposals discussed must not imply an obligation on Belgium to proceed with the formation of the Belgian National Corporation, this being dependent on financial decisions to be taken by the Belgian Government and by the Banks in Belgium.

Signor Jung stated that these general reservations were applicable to each country concerned.

The Chairman said that he appreciated that the Delegates were not in a position to bind themselves absolutely to the formation of National Corporations in their respective countries, but he understood that they approved the scheme generally as discussed and would use their best efforts to bring it into being.

The representatives of U.S.A. interests and the Delegates from Japan and Denmark were asked to co-operate on similar lines, and for such participation as the Organising Committee may determine.

It was decided to invite the Governments of Holland, Switzerland and Czecko-Slovakia to nominate Delegates to confer with the Chairman with the object of these countries also participating in the scheme.

It was decided that as soon as at least three countries were in a position to form their National Corporations and raise their Capital, the National Corporations in those countries and The Central International Corporation should be formed, and that every effort should be made to do this before the end of March, 1922.

EXEMPTION OF THE CENTRAL INTERNATIONAL CORPORATION FROM BRITISH TAXES.

It was decided that a condition precedent to the incorporation of The Central International Corporation must be its exemption from British taxation owing to special circumstances and seeing that the larger part of its capital would be foreign capital, and that the British proportion of the capital would be derived from the capital subscribed to the British National Corporation which would be liable to taxation thereon and on the profits which it would receive from the Central Corporation.

VOTE OF THANKS TO SOLICITOR.

M. Cattier expressed on behalf of the Delegates their appreciation of the assistance given to the Conference by Mr. Harold G. Brown in explaining the legal documents discussed, and in so speedily redrafting the various modifications made. A unanimous vote of thanks was thereupon accorded to Mr. Brown.

REPORT OF RESULT OF CONFERENCE.

The following Report of the result of the present Conference was unanimously adopted :—

The Conference of International Delegates assembled in London resolved to use their best endeavours to procure the establishment of National Corporations in various countries affiliated together and with a Central International Corporation to be formed in London.

The main object of the Corporations will be to examine the opportunities for undertaking work in connection with European reconstruction

and to assist in the financing of such undertakings. The policy of the Corporations will be to co-operate where possible with other agencies and undertakings and not to attempt to create any monopoly.

It is recognised that exchange difficulties prevent the formation of one single consolidated Corporation and necessitate the establishment of various National Corporations.

It is, however, intended that the National Corporations should, as far as possible, work together as one entity under the control of The Central International Corporation, in which all the National Corporations will hold shares, and on whose Board they will all be represented. To obtain this result an Agreement will be made between all the Corporations on the lines of the draft Agreement approved by the Conference and signed by the Chairman.

The Memorandum and Articles of Association of the proposed British National Corporation, as approved by the Conference and signed by the Chairman, will be the basis for the formation of the various National Corporations, subject to any adjustments necessary to conform to the laws of each country.

The aggregate capital of the National Corporations in the first instance will be fixed at the equivalent of £20,000,000, of which 25 per cent. is to be immediately called up. Government guarantees will be requested where necessary to enable this capital to be raised.

The initial capital of The Central International Corporation will be fixed at £2,000,000, and will be provided by subscriptions by the National Corporations of approximately 10 per cent. of their original capital. The Central International Corporation to be exempted from British taxes.

The following countries were invited to subscribe respectively 20 per cent. of the total £20,000,000 proposed to be raised, viz. :—Great Britain, France, Germany, Italy, Belgium.

It was agreed that the following countries should be invited also to participate if they so desire, viz. :—United States of America, Japan, Denmark, Holland, Switzerland, Czecko-Slovakia.

Capital allocated to these countries will be applied proportionately in reduction of the 20 per cent. which the five countries first mentioned have been invited to subscribe, or, if necessary, as the Board of The Central International Corporation, when formed, may decide.

The Board of Directors of The Central International Corporation will have power to allow other countries to participate if they so desire, and, if necessary, will increase the capital for that purpose.

As soon as three countries are in a position to form their National Corporations and raise their capital, the National Corporations in those countries and The Central International Corporation are to be formed.

The Governments interested are urged to obtain legislative authority to give any necessary guarantees to their National Corporations as soon as possible, so as to enable the Corporations to be established and commence operations at the earliest moment.

The Delegates in Conference are unanimously of opinion that the Corporations should not do business with or in any country which does not:—

(A) Recognise all public debts and obligations undertaken in the past or to be undertaken by the State as well as the obligation to restore, or in default of restoration to compensate all foreign interests for loss or damage caused to them when property has been confiscated or withheld ;

(B) Establish a legal system which sanctions or enforces trade and other contracts with impartiality ;

(C) Give security for Trade.

Annexed to this Report are copies of:—

(A) The Minutes of the Meetings of the Conference held in London on February 21st, 22nd, 23rd, 24th and 25th, 1922.

(B) The draft Memorandum and Articles of Association of the proposed Central International Corporation.

(C) The draft Memorandum and Articles of Association of the proposed British National Corporation forming the agreed basis for the establishment of all National Corporations.

(D) The draft Contract to be made between The Central International Corporation and all the National Corporations collectively.

INVERFORTH	}	Great Britain	} <i>Delegates.</i>
JOHN FERGUSON ...	...	...	
CHARLES SERGENT ...	...	...		France
GUIDO JUNG ...	...	...	}	Italy
GUIDO SAGROMOSO ...	...	...	
FELICIEN CATTIER ...	...	...	}	Belgium
ROBERT BETTE ...	...	...	
T. OKUBO ...	...	...		Japan
J. GRANT FORBES ...	...	...		Unofficially representing U.S.A.
BERGMANN ...	...	...	}	Germany
KEMPNER ...	...	...	
E. R. GLUCKSTADT ...	...	...		Denmark

B. H. BINDER, *Secretary.*

CHAIRMAN'S
THANKS TO
DELEGATES.

The Chairman thanked the Delegates for their attendance and for the diligence and despatch with which they had dealt with the various questions submitted to them. He added that the best wish he could express towards the proposed International and National Corporations was that the Directors nominated thereto would work together in the same spirit of friendly co-operation and goodwill which had been manifested by all throughout the Conference.

VOTE OF
THANKS TO
CHAIRMAN.

M. Sargent said that Lord Inverforth's tact and ability in presiding had contributed much to the harmony of the Conference and its successful results. He proposed a hearty vote of thanks to the Chairman, which was cordially and unanimously carried.

VOTE OF
THANKS TO
SECRETARY.

The Delegates desired to place on record their appreciation of the services of Mr. B. H. Binder, as Secretary, and unanimously accorded to him a vote of thanks.

The Conference then terminated.

(Signed) INVERFORTH.

Proof 27/2/22.

THE COMPANIES ACTS, 1908 to 1917.

COMPANY LIMITED BY SHARES.

Memorandum
AND
Articles of Association
OF
The Central International Corporation
LIMITED.

LINKLATERS & PAINES,

2, Bond Court,

Walbrook,

London, E.C.4.

THE COMPANIES ACTS, 1908 TO 1917.

COMPANY LIMITED BY SHARES

Memorandum

AND

Articles of Association

OF

The Central International Corporation
LIMITED.

LINKLATERS & PAINES,
2, Bond Court,
Walbrook, London, E.C.4.

BURRUP, MATHIASON & SPRAGUE, LTD., 31, Throgmorton Street, E.C.2.
Telephone No. 4420 Hop (4 lines).

THE COMPANIES ACTS, 1908 TO 1917.

COMPANY LIMITED BY SHARES.

Memorandum of Association
OF
The Central International Corporation
LIMITED.

1. The name of the Company is "THE CENTRAL INTERNATIONAL CORPORATION LIMITED."

2. The registered Office of the Company will be situate in England.

3. The objects for which the Company is established are :—

(i) To provide a central Organization for the fostering and facilitating the resumption of trade between the countries of the world, to overcome difficulties due to fluctuations in exchange and to investigate openings for the employment of capital and the provision of productive employment of labour, and to assist generally in the reconstruction of those countries which have been prejudicially affected by the late war.

(ii) To construct, execute, carry out, equip, and work, develop, administer, manage or control, or be interested in all kinds of works and conveniences, public or private, and in particular (but without limiting the generality of the foregoing), railways, tramways, docks, hotels, ships, harbours, piers, wharves, canals, reservoirs, embankments, irrigations, reclamations, telegraphs, telephones and sewage, drainage, sanitary, water, gas, electric,

hydraulic and shipbuilding works, but as regards telegraphs and telephones not within the United Kingdom.

- (iii) To lend money on the security of, acquire, hold, issue, negotiate, place, guarantee subscription of, underwrite and deal in stocks, shares, debentures, debenture stock, bonds, mortgages, obligations and securities of all kinds, issued, created, granted, guaranteed or made by any Government, sovereign, ruler or other authority, national, local, municipal or of any other description, or of any corporation, company, firm or person, and to give any guarantee for payment of money or the carrying out of any contract or obligation, and in particular to guarantee the principal or capital and interest or dividends of any shares, stocks, debentures, loans, obligations or securities.
- (iv) To carry on the business of banking in all or any of its branches and departments and for that purpose to establish, manage, carry on and register offices, branches or agencies in any part of the world, and to promote and further in all respects within its powers, financial and commercial relations between all or any countries of the world.
- (v) To lend or advance money, securities and property, to discount, buy, sell and deal in bills of exchange, promissory notes, coupons, drafts, bills of lading, warrants and other instruments and securities, whether transferable or negotiable or not, to give acceptances and guarantees and generally to promote financial facilities for any purposes, to negotiate loans and advances, to issue warrants for goods and raw materials under its control, to collect and transmit money and securities and generally to transact all kinds of agency and other business commonly transacted by bankers.
- (vi) To seek for and secure openings for and promote the employment of capital for any purposes which may be considered calculated to promote employment or to improve existing economical or industrial

conditions, and to enter into any arrangements with any Governments or authorities, supreme, municipal, local or otherwise, and to obtain from any such Government or authority any rights, privileges or concessions, which may be considered desirable and to carry out, exercise and comply with any such arrangements, rights, privileges and concessions.

- (vii) To take or concur in taking all such steps and proceedings as may be considered calculated to uphold and support the credit of the Company or of any companies or bodies with which it is associated in any way, or to obtain and justify public confidence or to avert or minimise financial, industrial, political or other disturbances.
- (viii) To act as agents for the investment, loan, payment, transmission and collection of money, and for the purchase, sale, improvement, development and management of property, including business concerns and undertakings of all kinds, and generally to transact and undertake all kinds of agency and commission business.
- (ix) To lend and advance money at interest or otherwise on any security or without security, and generally upon such terms and subject to such conditions as may be considered expedient.
- (x) To form, promote, subsidise, finance and assist Governments, authorities, companies, syndicates, partnerships and other bodies of all kinds.
- (xi) Generally to carry on and undertake in any part of the world any business undertaking, transaction or operation whatever, whether mercantile, commercial, financial, manufacturing, agricultural, trading or otherwise which an individual capitalist could lawfully undertake or carry on.
- (xii) To carry on, undertake and do itself all or any of the businesses, undertakings, transactions, operations and things aforesaid, or to arrange for or facilitate (on such terms and conditions as it may think

expedient or be able to arrange, and whether with or without stipulating for or reserving to itself any commission, share of profits, or other benefit or interest), the carrying on, undertaking and doing of the same by others, and in particular by all or any of the different corporations being Members of the Company, and generally to act as a central body for considering applications or suggestions for and promoting undertakings, transactions and operations of any description which are or may be considered calculated to promote employment or improve existing conditions in any part of the world, and carrying out approved undertakings, transactions and operations or allocating, securing or procuring the carrying out of the same (in such manner and on such terms as may be arranged) by or through the medium of the said corporations being Members of the Company, or others.

- (xiii) To manufacture and deal in all kinds of articles and things required for the purposes of any such business as aforesaid or commonly dealt in by persons engaged in any such business.
- (xiv) To purchase or otherwise acquire for any estate or interest any property, real or personal, or rights of any kind which may appear to be necessary or convenient for any business of the Company (whether in the United Kingdom or elsewhere) and to develop and turn to account and deal with the same in such manner as may be thought expedient.
- (xv) To borrow and raise money and to secure or discharge any debt or obligation of or binding on the Company in such manner as may be thought fit and in particular by mortgages and charges upon the undertaking and all or any of the real and personal property (present and future) and the uncalled capital of the Company, or by the creation and issue on such terms as may be thought expedient of bonds, debentures, debenture stock or other securities of any description.

- (xvi) To draw, make, accept, endorse, discount, negotiate, execute, and issue bills of exchange, promissory notes, and other negotiable or transferable instruments.
- (xvii) To enter into partnership or any joint purse or profit sharing arrangement with or co-operate in any way with any company, firm, or person carrying on or proposing to carry on any business within the objects of this Company.
- (xviii) To sell, lease, grant licences, easements and other rights over, and in any other manner deal with or dispose of the undertaking, property, assets, rights and effects of the Company or any part thereof for such consideration as may be thought fit, and in particular for stocks, shares or securities of any other company.
- (xix) To take all necessary or proper steps in Parliament or with the authorities, national, local, municipal or otherwise, of any place in which the Company may have interests, and to carry on any negotiations or operations for the purpose of directly or indirectly carrying out the objects of the Company or effecting any modification in the constitution of the Company or furthering the interests of its Members, and to oppose any such steps taken by any other company, firm or person which may be considered likely directly or indirectly to prejudice the interests of this Company or its Members.
- (xx) To procure the registration or incorporation of the Company in or under the laws of any place outside England.
- (xxi) To subscribe or guarantee money for any national, charitable, benevolent, public, general or useful object or for any exhibition.
- (xxii) To grant pensions or gratuities to any employees or ex-employees of the Company or its predecessors in business, or the relations, connections, or dependents of any such persons, and to establish or support

associations, institutions, clubs, funds and trusts which may be considered calculated to benefit any such persons or otherwise advance the interests of the Company or of its Members.

(xxiii) To invest any moneys of the Company in such investments (other than shares in the Company) as may be thought proper, and to hold, sell or otherwise deal with such investments.

(xxiv) To distribute among the Members of the Company in specie any property of the Company.

(xxv) To do all of the things and matters aforesaid in any part of the world, and either as principals, agents, contractors, trustees or otherwise, and by or through trustees, agents or otherwise, and either alone or in conjunction with others.

(xxvi) To do all such other things as may be considered to be incidental or conducive to the above objects or any of them.

4. The liability of the Members is limited.

5. The capital of the Company is £2,000,000 divided into 2,000,000 shares of £1 each.

6. The following are fundamental conditions upon and subject to which the Company is formed and which shall not be capable of alteration, except when otherwise determined by a special vote of the Board of Directors of the Company as defined in the draft Agreement scheduled to the Articles of Association filed herewith, namely :—

(A) The capital of the Company shall be issued to and held only by corporations (meaning thereby companies, sociétés anonymes or other bodies incorporated under the laws of any country in such manner that the incorporated body is a different legal entity from the individuals for the time being constituting the same) and no natural person (other than the subscribers to the Memorandum of Association, if natural persons, who shall be bound as and when

required by the Directors so to do to transfer their shares to any corporation nominated by the Directors to receive transfers thereof) shall be capable of being a Member of the Company.

(B) Two corporations of the same nationality shall not be Members of the Company at the same time and accordingly any purported issue or transfer of shares or stock to a corporation of any particular nationality shall be void and of no effect if at the time of such issue or transfer there is another corporation of the same nationality which is already a Member of the Company. For the purposes hereof the nationality of any corporation shall be deemed to be that of the country by or under the laws of which, or of any colony or dependency of which (whether self-governing or not) it is incorporated.

(C) No shares or stock of the Company shall be issued or transferred to any corporation unless on or before the issue or transfer thereof such corporation enters into an agreement with the Company, and with all the other shareholders in the Company in the terms of the draft scheduled to the Articles of Association registered herewith or covenants with the Company and all the other shareholders in the Company to be bound by the terms of such Agreement in the same manner as if such shareholder had been a party thereto. The form of the said Agreement may be varied in such manner as may from time to time be approved by all the shareholders in the Company.

(D) No share or stock in the Company shall be capable of being transferred by the original or any subsequent holder thereof without the consent or approval in writing of all except three of the Directors of the Company for the time being, or the authority of a resolution passed by a special vote of the Board of Directors of the Company as defined in the Articles of Association registered herewith, save and except only that if any corporation being a Member of the Company shall go into liquidation, whether voluntary or compulsory, all or any of the shares or stock in the Company held by such corporation shall, unless otherwise determined by a

resolution of the Board of Directors of the Company passed by a special vote as aforesaid be offered for sale to the other shareholders in proportion to the shares in the Company held by them respectively as provided by the Articles of Association registered herewith.

- (E) No warrants to bearer shall be issued in respect of any shares or stock of the Company.

WE, the several persons whose names and addresses are subscribed, are desirous of being formed into a Company, in pursuance of this Memorandum of Association, and we respectively agree to take the number of Shares in the capital of the Company set opposite to our respective names.

NAMES, ADDRESSES AND DESCRIPTIONS OF SUBSCRIBERS.	No. of Shares taken by each Subscriber.
<div style="text-align: right; padding-right: 20px;">Total Shares taken</div>	

Dated the day of 1922.

WITNESS to the above Signatures—

the first of these is the fact that the
amount of the loan is not known in advance
of the time when the loan is made. The
second is the fact that the loan is made
at a time when the interest rate is not
known.

THE COMPANIES ACTS, 1908 TO 1917.

COMPANY LIMITED BY SHARES.

Articles of Association
OF
The Central International Corporation
LIMITED.

PRELIMINARY.

1. The regulations in Table "A" in the First Schedule to the Companies (Consolidation) Act, 1908, shall not apply to the Company.

2. In these presents, if not inconsistent with the subject or context, the words standing in the first column of the table next hereinafter contained shall bear the meanings set opposite to them respectively in the second column thereof.

WORDS.	MEANINGS.
The Statutes.	The Companies Acts 1908 to 1917, and every other Act for the time being in force concerning joint stock companies and affecting the Company.
The Act.	The Companies (Consolidation) Act, 1908.
These presents.	These Articles of Association, as originally framed, or as from time to time altered by Special Resolution.
Special vote of the Board of Directors.	A Resolution passed at a meeting of the Directors of the Company duly summoned by not less than 10 days' notice against which not more than one-fourth of the total votes of all the Directors have been cast and in favour of which a majority of the votes of those Directors present in person or by proxy or by alternate shall have been cast.

WORDS.	MEANINGS.
Office.	The Registered Office of the Company.
Secretary.	The Secretary for the time being of the Company or any person from time to time appointed by the Directors to perform the duties of the Secretary.
Seal.	The Common Seal of the Company.
Month.	Calendar month.
Year.	Year from the 1st January to the 31st December inclusive.
In writing.	Written, or produced by any substitute for writing, or partly one and partly another.

And words importing the singular number only shall include the plural, and *vice versa*, and words importing persons shall include corporations, and the expressions "debenture" and "debenture holder" shall include "debenture stock" and "debenture stockholder."

Save as aforesaid any words or expressions defined in the Statutes shall, if not inconsistent with the subject or context, bear the same meaning in these presents.

3. The number of the Members of the Company shall be limited to fifty.

4. No invitation shall be made to the public to subscribe for any shares or debentures of the Company.

5. Subject to the provisions of Section 87 of the Act the business of the Company may be commenced as soon after the incorporation of the Company as the Directors think fit.

6. Any branch or kind of business which the Company is either expressly or by implication authorised to undertake, may be undertaken by the Directors at such time or times as they may think fit, and further may be suffered by them to be in abeyance whether such branch or kind of business may have been actually commenced or not, so long as the Directors may deem it expedient not to commence or proceed with the same.

7. No part of the funds of the Company shall be employed in the purchase of or in loans upon the security of the Company's shares.

SHARES.

8. Subject to the provisions of the Memorandum of Association, the shares shall be at the disposal of the Directors, and they may allot the same to such corporations and at such times as they think proper. All shares shall be allotted on the terms that the same are to be paid up in cash.

9. If any shares of the Company are issued for the purpose of raising money to defray the expenses of the construction of any works or buildings, or the provision of any plant which cannot be made profitable for a lengthened period, the Company, or the Directors on behalf of the Company, may, subject to the conditions and restrictions mentioned in Section 91 of the Act, pay interest on so much of such share capital as is for the time being paid up, and may charge the same to capital as part of the cost of construction of the works, buildings or plant.

10. No person shall be recognised by the Company as holding any share upon any trust, and the Company shall not be bound by or recognise any equitable, contingent, future or partial interest in any share, or any interest in any fractional part of a share, or (except only as by these presents otherwise provided) any other right in respect of any share, except an absolute right to the entirety thereof in the registered holder.

11. Joint holdings of shares in the Company shall not be permitted or recognised, and accordingly no share shall be allotted or transferred except to a single corporation.

12. Every corporation whose name is entered as a Member in the Register of Members, shall be entitled without payment to one certificate for all its shares, or upon payment of such sum, not exceeding 2s. 6d. for every certificate after the first as the Directors shall from time to time determine, to several certificates, each for one or more of its shares. Every certificate shall be issued under the seal, and bear the signatures of one or more Directors and the Secretary, and shall specify the shares to which it relates, and the amount paid up thereon.

13. If a share certificate be defaced, lost or destroyed, it may be renewed on payment of such fee (if any) not exceeding one shilling, and on such terms (if any) as to evidence and indemnity as the Directors think fit.

LIEN.

14. The Company shall have a lien on every share (not being a fully paid share) for all moneys, whether presently payable or not, called or payable at a fixed time in respect of such share ; and the Company shall also have a first and paramount lien and charge on all shares standing registered in the name of any Member for all the debts and liabilities of such Member to the Company, and that whether the same shall have been incurred before or after notice to the Company of any equitable or other interest in any person other than such Member and whether the period for the payment or discharge of the same shall have actually arrived or not, and notwithstanding that the same are joint debts or liabilities of such Member or his estate and any other person whether a Member of the Company or not. The Company's lien (if any) on a share shall extend to all dividends payable thereon.

15. The Company may sell, in such manner as the Directors may by a special vote of the Board determine, any shares on which the Company has a lien to any corporation being already a Member of the Company or duly qualified for membership under the Memorandum of Association, but no sale shall be made unless some sum in respect of which the lien exists is presently payable, nor until the expiration of fourteen days after a notice in writing, stating and demanding payment of the sum presently payable, and giving notice of the intention to sell in default shall have been given to the holder for the time being of the share.

16. The proceeds of sale shall be applied in or towards payment or satisfaction of the debt or liability in respect whereof the lien exists so far as the same is presently payable, and any residue shall (subject to a like lien for debts or liabilities not presently payable as existed upon the shares prior to the sale) be paid to the Member. The purchaser shall be registered as the holder of the shares and he shall not be bound to see to the application of the purchase money, nor shall his title to the shares be affected by any irregularity or invalidity in the proceedings in reference to the sale.

CALLS ON SHARES.

17. The Directors may from time to time make calls upon the Members in respect of any moneys unpaid on their shares, provided that no call shall exceed one-fourth of the nominal

amount of the share or be payable at less than one month from the last call, and each Member shall (subject to receiving at least one month's notice specifying the time or times and place of payment) pay to the Company at the time or times and place so specified the amount called on its shares.

18. A call shall be deemed to have been made at the time when the resolution of the Directors authorising the call was passed.

19. If a sum called in respect of a share is not paid before or on the day appointed for payment thereof, the person from whom the sum is due shall pay interest on the sum from the day appointed for payment thereof to the time of actual payment at such rate, not exceeding 10 per cent. per annum, as the Directors determine; but the Directors shall be at liberty to waive payment of such interest wholly or in part.

20. Any sum which by the terms of issue of a share becomes payable upon allotment, or at any fixed date, whether on account of the amount of the share or by way of premium, shall for all the purposes of these presents be deemed to be a call duly made and payable on the date on which, by the terms of the issue, the same becomes payable, and in case of non-payment all the relevant provisions of these presents as to payment of interest and expenses, forfeiture or otherwise, shall apply as if such sum had become payable by virtue of a call duly made and notified.

21. The Directors may make arrangements on the issue of shares for a difference between the holders in the amount of calls to be paid and in the times of payment.

22. The Directors may, if they think fit, receive from any Shareholder willing to advance the same, all or any part of the moneys uncalled and unpaid upon any shares held by such Shareholder, and upon all or any of the moneys so advanced, may (until the same would but for such advance become presently payable), pay interest at such rate not exceeding (unless the Company in General Meeting shall otherwise direct) 10 per cent. per annum, as may be agreed upon between the Directors and the Shareholder paying such sum in advance.

TRANSFER OF SHARES.

23. No share in the Company when issued shall be capable of being transferred by the original or any subsequent holder

thereof without the approval of a special vote of the Board, save and except only that if any Corporation being a Member of the Company shall go into liquidation, whether voluntary or compulsory, all or any of the shares in the Company held by such corporation shall unless otherwise determined by a resolution of the Board passed by a special vote of the Board of Directors be offered for sale to the other shareholders in proportion to the shares in the Company held by them respectively.

TRANSFER OF SHARES.

24. All transfers of shares (where allowed) shall be effected by transfer in writing in the usual common form, and the Directors may decline to recognise any instrument of transfer unless such fee as the Directors may require is paid to the Company in respect thereof, and the instrument of transfer is accompanied by the certificate of the shares to which it relates, and such other evidence as the Directors may reasonably require to show the right of the transferor to make the transfer, and unless the transferee shall have covenanted with the Company and with all the other shareholders in the Company to be bound by the terms of the agreement scheduled hereto with such modifications only (if any) as may from time to time be approved by all the shareholders in the Company.

25. The instrument of transfer of a share shall be executed both by the transferor and transferee, and the transferor shall be deemed to remain the holder of the share until the name of the transferee is entered in the Register of Members in respect thereof.

FORFEITURE OF SHARES.

26. If a Member fails to pay any call or instalment of a call on the day appointed for payment thereof, the Directors may at any time thereafter during such time as any part of such call or instalment remains unpaid, serve a notice on him requiring payment of so much of the call or instalment as is unpaid, together with any interest and expenses which may have accrued.

27. The notice shall name a further day on or before which and the place where the payment required by the notice is to be made, and shall state that in the event of non-payment at or before the time and at the place appointed the shares on which the call was made will be liable to be forfeited.

28. If the requirements of any such notice as aforesaid are not complied with any share in respect of which such notice has been given may at any time thereafter before payment of all calls and interest and expenses due in respect thereof has been made be forfeited by a resolution of the Directors to that effect.

29. A forfeited share may be sold or re-allotted either to the Member who was before forfeiture the holder thereof (if still a Member or qualified for membership under the Memorandum of Association) or to any other corporation being a Member or qualified for membership upon such terms and in such manner as the Directors shall think fit, and at any time before a sale or re-allotment the forfeiture may be cancelled on such terms as the Directors think fit.

30. A Member whose shares have been forfeited shall cease to be a Member in respect of the forfeited shares, but shall notwithstanding the forfeiture remain liable to pay to the Company all moneys which at the date of forfeiture were presently payable by such Member to the Company in respect of the shares, with interest thereon at seven per cent. per annum from the date of forfeiture until payment.

31. A statutory declaration in writing that the declarant is a Director of the Company and that a share had been duly forfeited on a date stated in the declaration shall be conclusive evidence of the facts therein stated as against all persons claiming to be entitled to the share, and such declaration and the receipt of the Company for the consideration (if any) given for the share on the sale or re-allotment thereof shall constitute a good title to the share, and the person to whom the share is sold or disposed of shall be registered as the holder of the share and shall not be bound to see to the application of the purchase money (if any) nor shall his title to the share be affected by any irregularity or invalidity in the proceedings in reference to the forfeiture, sale, or re-allotment of the share.

COMPULSORY RETIREMENT OF MEMBERS.

32. If any Member of the Company shall commit any breach of, or shall fail or refuse to carry out or perform, any obligation of such Member under any agreement entered into by such Member as a term of such Member's admission to membership as provided by Clause 6(c) of the Memorandum of Association, the Company may serve on such Member a notice in writing calling the attention of such Member thereto and requiring it to perform its said agreement in the respect in which such breach, omission or

refusal has occurred if then still capable of being performed, and in any other case to make compensation therefor in such manner as the Directors may reasonably require. Such notice shall name a reasonable period (not being less than one month) within which the same is to be complied with, and shall state that in the event of non-compliance therewith the Member will be liable to compulsory retirement under this Article.

33. If any such notice is not complied with, or if any shareholder fails within a reasonable time after the award of any arbitrator in an arbitration under the provisions hereafter contained to comply with the terms of such award, then the Directors may require the Member who has failed to comply with such notice or award to offer to sell the shares of such Member or any part thereof on the terms hereafter stated and thereupon such Member shall be deemed to have offered its shares for sale accordingly.

34. Where any share held by a Member is to be offered for sale pursuant to any provision of these presents, the price to be paid therefor shall in the first instance be fixed by the Directors of the Company, but if the selling shareholder (hereafter referred to as the retiring Member) shall within 14 days of such price being notified to it in writing by the Board of the Company so require the price to be paid, shall be submitted to arbitration under the provision hereinafter contained, and the decision of the arbitrator shall be final. The price so arrived at is hereafter referred to as the "prescribed price." In arriving at the prescribed price of any share the Directors or the arbitrator, as the case may be, shall take into account not only the fair value of the share but also the extent to which the retiring Member is to blame for having failed to observe the terms of the said agreement or the award of an arbitrator, as the case may be, it being the declared intention of the parties that the Directors or the arbitrator shall not be bound by any rules of law in arriving at their decision, but that they are to fix the price at such a figure as will in their opinion impose upon the retiring Member such penalty for default as may be reasonable, having regard to the importance of the default, the direct and indirect damage suffered by the Company and the other shareholders owing to such default, the extent to which such default was wilful or due to causes beyond the control of the retiring Member and generally to all the circumstances of the case, with power to the Directors or the arbitrator in suitable cases to fix the prescribed price at a purely nominal sum or at the full value of the share, or at such intermediate figure as they may in their discretion think fit.

35. All shares which are to be offered for sale by a retiring Member pursuant to any provision of these presents shall so soon as the prescribed price has been ascertained under the foregoing provisions, in the first instance be offered to the other Members in proportion (as nearly as may be without involving fractions of one share) to the shares then held by them respectively. Such offer shall be made by notice in writing stating the number of shares which the Member is entitled to buy and the prescribed price and the time and place when and where such price is to be paid and the currency in which it is to be paid, and limiting a time (not being less than one month) within which the offer if not accepted will be deemed to be refused. Any shares offered to but not accepted by any Member shall next be offered to those Members who have accepted the shares previously offered and so on until the shares are all accepted, or until the Members have obtained all the shares they are willing to buy. Thereafter any balance of the said shares may (subject to the provisions of the Memorandum and Articles of Association be dealt with as the Board may decide.

36. The retiring Member shall be bound to transfer to the purchasers nominated by the Board all or any of the shares which the retiring Member has become bound to offer for sale as above provided, and if any retiring Member fails to do so the Company may receive the prescribed price on behalf of such retiring Member, and may thereupon cause the name of any purchaser to be entered in the share register as the holder of the shares purchased by such purchaser. The receipt of the Company for the prescribed money shall be a good discharge to the purchaser, and he shall not be bound to see to the application thereof, and after the name of the purchaser has been entered in the register in purported exercise of the aforesaid powers the validity of the proceedings shall not be questioned by anyone.

37. If the Company shall fail to find a purchaser for any of the shares to be sold by a retiring Member within twelve calendar months of the price being ascertained, the retiring Member shall be entitled to retain the shares for which a purchaser has not been found, but subject in all respects to the provisions of the Memorandum and Articles of Association of the Company, including the foregoing provisions if and when the same again become applicable.

STOCK.

38. The Directors may with the previous sanction of an Extraordinary Resolution of the Company in General Meeting,

convert any paid-up shares into stock, and may with the like sanction reconvert any stock into paid-up shares of any denomination.

39. Stock shall only be transferable in the same manner, and subject to the same regulations and restrictions as and subject to which the shares from which the stock arose was previously to conversion transferable, and no stock shall be transferable except in sums of £1 or multiples of £1.

40. The holders of stock shall, according to the amount of the stock held by them, have the same rights, privileges and advantages as regards dividends, participation in assets on a winding up, voting at meetings of the Company, and other matters as if they held the shares from which the stock arose, but no such privilege or advantage (except participation in dividends and in assets on a winding up) shall be conferred by any such aliquot part of stock as would not, if existing in shares, have conferred such privilege or advantage.

41. All such of the provisions of these presents as are applicable to paid-up shares shall apply to stock, and the words "share" and "shareholder" therein shall include "stock" and "stockholder."

INCREASE OF CAPITAL.

42. The Company in General Meeting may with the approval of a special vote of the Board but not otherwise from time to time increase its capital by such sum to be divided into shares of such amounts as the resolution shall prescribe.

43. Unless it be decided by a special vote of the Board that the new shares or any of them are to be issued to a Corporation not already a member the same shall be offered in the first place to the existing members in proportion to their existing holdings of shares and for the purposes of any such offer the provisions of Articles 35 shall *mutatis mutandis* apply so far as the same are applicable.

44. Subject as aforesaid the new shares shall (subject to the provisions of the Memorandum of Association) be at the disposal of the Directors in the same manner as the shares in the original capital.

upon which all calls or other sums then due have been paid, forthwith proceed to convene an Extraordinary Meeting. The requisition must state the objects of the meeting, and must be signed by the requisitionists, and deposited at the office, and may consist of several documents in like form, each signed by one or more of the requisitionists.

NOTICE OF GENERAL MEETINGS.

50. Twenty-one days' notice at the least (inclusive of the day on which the notice is served or deemed to be served, but exclusive of the day for which the notice is given) specifying the place, the day, and the hour of meeting, and in case of special business, the general nature of such business, shall be given in manner hereinafter mentioned to such Members as are, under the provisions herein contained, entitled to receive notices from the Company. With the consent in writing of all the Members entitled to receive notices from the Company, a meeting may be convened by a shorter notice and in such manner as such Members may think fit.

51. The accidental omission to give notice to, or the non-receipt of notice by, any Member, shall not invalidate the proceedings at any General Meeting.

52. Whenever it is intended to pass a Special Resolution the two meetings may be convened by one and the same notice, and it shall be no objection that the notice only convenes the second meeting contingently on the resolution being passed by the requisite majority at the first meeting.

PROCEEDINGS AT GENERAL MEETINGS.

53. All business shall be deemed special that is transacted at the Statutory Meeting or at an Extraordinary Meeting, and also all business that is transacted at an Ordinary Meeting, with the exception of sanctioning dividends, the consideration of the accounts and balance sheet, and the ordinary reports of the Directors and Auditors, the election of Auditors in the place of those retiring by rotation or otherwise and the fixing of the remuneration of the Auditors and Directors.

54. No business shall be transacted at any General Meeting unless a quorum is present when the meeting proceeds to business.

45. The new shares shall be subject to the same provisions with reference to payment of calls, lien, transfer, transmission, forfeiture and otherwise, as the shares in the original capital.

ALTERATIONS OF CAPITAL.

46. The Company in General Meeting may by Ordinary Resolution—

- (A) Consolidate and divide all or any of its share capital into shares of larger amount than its existing shares.
- (B) Cancel any shares which, at the date of the passing of the resolution, have not been taken, or agreed to be taken, by any person, and diminish the amount of its capital by the amount of the shares so cancelled.

And may also by Special Resolution—

- (c) Sub-divide its shares, or any of them, into shares of smaller amount than is fixed by the Memorandum of Association (subject, nevertheless, to the provisions of Section 41 (1) (d) of the Act).
- (D) Reduce its capital in any manner authorised by law.

GENERAL MEETINGS.

47. The Statutory Meeting of the Company shall be held at such time (within a period of not less than one month, nor more than three months from the date at which the Company is entitled to commence business) and at such place as the Directors may determine, and the provisions of Section 65 of the Act, or other the provisions of the Statutes relating to the Statutory Meeting shall be duly observed.

48. A General Meeting shall be held in the year 1923, and in every subsequent year, at such time (within a period of not more than fifteen months after the holding of the last preceding General Meeting) and place as may be determined by the Directors. The General Meetings referred to in this Article shall be called Ordinary Meetings. All General Meetings other than Ordinary Meetings and the Statutory Meeting shall be called Extraordinary.

49. The Directors may call an Extraordinary Meeting whenever they think fit, and shall, on the requisition of the holders of not less than one-tenth of the issued capital of the Company

Three Members present in person shall be a quorum for all purposes. For all purposes of these Articles a Member represented at a meeting by a Director of the Company appointed by itself and holding its general or special proxy, or by one of its own employees holding such a proxy, shall be deemed to be present at such meeting in person.

55. If within half an hour from the time appointed for the meeting a quorum is not present, the meeting, if convened on the requisition of Members, shall be dissolved. In any other case it shall stand adjourned to the same day in the next week at the same time and place, and if at such adjourned meeting a quorum is not present within fifteen minutes from the time appointed for holding the meeting, the Members present shall be a quorum.

56. The Chairman of the Board of Directors shall preside as Chairman at every General Meeting of the Company. If there be no such Chairman or if at any meeting he be not present within fifteen minutes after the time appointed for holding the meeting or be unwilling to act as Chairman, the Members present shall choose some Director, or if no Director be present, or if all the Directors present decline to take the Chair, they shall choose some other person present to be Chairman.

57. The Chairman may, with the consent of any meeting at which a quorum is present (and shall if so directed by the meeting) adjourn the meeting from time to time and from place to place, but no business shall be transacted at any adjourned meeting except business which might lawfully have been transacted at the meeting from which the adjournment took place. When a meeting is adjourned for fourteen days or more, notice of the adjourned meeting shall be given as in the case of an original meeting. Save as aforesaid, it shall not be necessary to give any notice of an adjournment or of the business to be transacted at an adjourned meeting.

58. At any General Meeting a resolution put to the vote of the meeting shall be decided on a show of hands unless a poll is (before or on the declaration of the result of the show of hands) demanded by the Chairman or any Member present in person or by proxy and entitled to vote. Unless a poll is so demanded, a declaration by the Chairman that a resolution has been carried, or carried unanimously, or by a particular majority, or lost, and an entry to that effect in the book of proceedings of the Company

shall be conclusive evidence of the fact without proof of the number or proportion of the votes recorded in favour of or against such resolution.

59. If a poll be duly demanded, it shall be taken in such manner as the Chairman may direct and the result of a poll shall be deemed to be the resolution of the meeting at which the poll was demanded.

60. In the case of an equality of votes, whether on a show of hands or on a poll, the Chairman of the meeting at which the show of hands takes place or at which the poll is demanded shall be entitled to a second or casting vote.

61. A poll demanded on the election of a Chairman or on a question of adjournment shall be taken forthwith. A poll demanded on any other question shall be taken at such time and place as the Chairman directs.

62. The demand for a poll shall not prevent the continuance of a meeting for the transaction of any business other than the question on which the poll has been demanded.

VOTES OF MEMBERS.

63. On a show of hands every Member who is present in person shall have one vote. On a poll every Member who is present in person or by proxy shall have one vote for every share of which he is the holder.

64. No Member shall be entitled to vote at any General Meeting unless all calls or other sums presently payable by him in respect of shares in the Company have been paid or in respect of any shares held by him which are under offer to the other Shareholders pursuant to the provisions for the compulsory retirement of Directors.

65. Votes may be given by proxy.

66. The instrument appointing a proxy shall be in writing either under the Common Seal of the appointor or under the hand of an officer or attorney of the appointor duly authorised.

67. No person shall act as a proxy unless he is either a Director of the Company or a Director or employee of a Member of the Company.

68. The instrument appointing a proxy and the power of attorney or other authority (if any) under which it is signed, or a notarially certified copy of such power or authority, shall be deposited at the office not less than twenty-four hours before the time appointed for holding the meeting or adjourned meeting at which the person named in the instrument proposes to vote, and in default the instrument of proxy shall not be treated as valid.

69. An instrument of proxy for a particular meeting may be in the following form, or in any other form which the Directors shall approve.

THE CENTRAL INTERNATIONAL CORPORATION LIMITED.

" I of
being a Member of the above-named
Company hereby appoint
of
as my proxy to vote for me, and on my behalf, at
the Ordinary [*or Extraordinary as the case may be*]
General Meeting of the Company to be held on the
day of , 19 , and at any
adjournment thereof.

As Witness my hand this day of 19 .”

70. A power of attorney or other instrument appointing a general proxy may be in any appropriate form approved by the Directors, such approval not to be unreasonably withheld.

71. A vote given in accordance with the terms of an instrument of proxy shall be valid, notwithstanding the previous revocation of the proxy, or of the authority under which the proxy was executed, provided that no intimation in writing of such revocation shall have been received by the Company at the office before the commencement of the meeting or adjourned meeting at which the proxy is used.

DIRECTORS.

72. During the initial period until at least four Directors shall have been appointed under Article 73 the subscribers to the Memorandum or such persons (whatever their number) as shall be appointed in writing by them or a majority of them, shall be and may act as first Directors of the Company. Such first Directors shall all, *ipso facto*, vacate office when and so soon as not less than four Directors shall have been appointed under Article 73.

73. Every Member holding £100,000 or upwards of shares of the Company shall be entitled to be represented on the Board of Directors by one Director appointed by such Member. Any member holding £250,000 of shares or more shall be entitled to be represented on the Board of Directors by two Directors appointed by such Member, but no Member shall be represented by more than two Directors whatever the number of shares held by such Member, and any such Member may accordingly at any time appoint any person to be a Director and remove any Director appointed by him and appoint another Director in his place or in the place of any Director appointed by such Member who dies, resigns, or otherwise vacates office, provided that the total number of Directors appointed by such Member and holding office at the same time shall not exceed the number by which such Member is entitled to be represented on the Board under the provisions of this Article. All appointments and removals of Directors under this Article shall be effected by writing under the Common Seal of the Member making the same, or the hand of an officer of such Member duly authorised thereto and authenticated in such manner as the Board may from time to time require or prescribe.

74. The Directors may, and in case of a vacancy shall, by resolution of the Board, appoint some person (not already a Member of the Board), to be Chairman of the Company, and determine the period for which he is to hold office as such. The Chairman shall be *ex officio* a member of the Board.

75. Save and except as provided by the foregoing Articles no Directors of the Company shall be appointed, and in particular the Company in General Meeting shall have no power to appoint Directors, and every Director appointed under or pursuant to the foregoing Articles or any regulations or bye-laws made by the Directors pursuant thereto shall hold office until he is either removed or vacates office under the provisions of such Articles, regulations, or bye-laws, or of Article 78.

76. The Directors shall be entitled to remuneration at such rate as shall be fixed either each year or from time to time by the Company in General Meeting. Such remuneration shall in default of agreement to the contrary be divided between the Directors equally. The Directors shall (unless the Board shall by resolution in any particular case otherwise determine), be repaid all such

reasonable travelling, hotel, and other expenses, to be approved by the Board, as they may incur in attending meetings of the Board, or of Committees of the Board, or of the Members of the Company, or otherwise in or about the business of the Company.

77. Any Director who by request performs special services, which shall be deemed to include services rendered as a Member of any Committee of the Board, and any other services which the Board shall by resolution declare to be special services within the meaning of this Article, or goes or resides abroad for any purposes of the Company, shall receive such extra remuneration by way of salary, percentage of profits or otherwise as the Board may determine, which shall be charged as part of the Company's ordinary working expenses.

78. The office of a Director shall be vacated in the following events, namely :—

- (A) If he resign his office by writing under his hand left at the office.
- (B) If he become bankrupt or compound with his creditors.
- (C) If he be found lunatic or become of unsound mind.
- (D) If the Shareholder by whom he was appointed ceases for any reason to hold free from any lien by the Company and not for the time being liable to be purchased under the provisions hereinbefore contained, the number of shares entitling such Shareholder to make such appointment.

POWERS OF DIRECTORS.

79. The business of the Company shall be managed by the Directors, who may pay all expenses incurred in getting up and registering the Company, and may exercise all such powers of the Company as are not by the statutes or by these presents required to be exercised by the Company in General Meeting, subject nevertheless to any regulations of these presents, to the provisions of the statutes, and to such regulations being not inconsistent with the aforesaid regulations or provisions, as may be prescribed by Extraordinary Resolution of the Company in General Meeting. but no regulation made by the Company in General Meeting shall

invalidate any prior act of the Directors which would have been valid if such regulation had not been made. The general powers given by this Article shall not be limited or restricted by any special authority or power given to the Directors by any other Article.

80. The Directors may establish any local boards or agencies for managing any of the affairs of the Company in any part of the world, and may appoint any persons to be members of such local boards, or any managers or agents, and may fix their remuneration, and may delegate to any local board, manager or agent any of the powers, authorities and discretions vested in the Directors and exercisable by Ordinary Resolution of the Board (other than powers to allot, make calls on or forfeit shares, and to allocate business to the Members of the Company), with power to sub-delegate, and may authorise the members of any local board, or any of them, to fill any vacancies therein, and to act notwithstanding vacancies, and any such appointment or delegation may be made upon such terms and subject to such conditions as the Directors may think fit, and the Directors may remove any person so appointed, and may annul or vary any such delegation, but no person dealing in good faith and without notice of any such annulment or variation shall be affected thereby.

81. The Directors may from time to time and at any time by Power of Attorney under the Seal appoint any company, firm or person, or any fluctuating body of persons, whether nominated directly or indirectly by the Directors, to be the Attorney or Attorneys of the Company for such purposes and with such powers, authorities and discretions (not exceeding those vested in or exercisable by the Directors under these presents, and not including power to allot, make calls on or forfeit shares and to allocate business to the Members of the Company) and for such period and subject to such conditions as they may think fit and any such Power of Attorney may contain such provisions for the protection and convenience of persons dealing with any such Attorney as the Directors may think fit and may also authorise any such Attorney to sub-delegate all or any of the powers, authorities and discretions vested in him.

82. The Company may exercise the powers conferred by Section 79 of the Act with regard to having an official Seal for use abroad, and such powers shall be vested in the Directors.

83. The Directors may exercise all the powers of the Company to borrow and raise money, and to mortgage or charge its undertaking, property and uncalled capital, and to issue debentures, debenture stock, and other securities.

84. No Director or intending Director shall be disqualified by his office from contracting with the Company either as vendor, purchaser or otherwise, nor shall any such contract, or any contract or arrangement entered into by or on behalf of the Company in which any Director is in any way interested, be liable to be avoided, nor shall any Director so contracting or being so interested be liable to account to the Company for any profit realised by any such contract or arrangement by reason of such Director holding that office, or of the fiduciary relation thereby established, but the nature of his interest shall be disclosed by him at the meeting of the Directors at which the contract or arrangement is determined on, if his interest then exists, or in any other case at the first meeting of the Directors after the acquisition of his interest, unless his interest consists merely of being a Director or Shareholder of or otherwise interested in the Member of the Company by whom he is appointed a Director of this Company, in which case no disclosure shall be required. A Director may vote in respect of any contract or arrangement in which he is interested.

85. All cheques, promissory notes, drafts, bills of exchange, and other negotiable or transferable instruments, and all receipts for moneys paid to the Company, shall be signed, drawn, accepted, endorsed, or otherwise executed, as the case may be, in such manner as the Directors shall from time to time by resolution determine.

MANAGING DIRECTOR.

86. The Directors may from time to time appoint one or more of their body to the office of Managing Director or Manager for such term as they think fit, but every such appointment shall be subject to determination *ipso facto* if the Director appointed cease from any cause to be a Director, or if the Company in General Meeting resolve by Extraordinary Resolution that his tenure of the office of Managing Director or Manager be determined.

87. A Managing Director or Manager shall receive such remuneration (whether by way of salary, commission or participa-

tion in profits, or partly in one way and partly in another) as the Directors may determine.

88. The Directors may entrust to and confer upon a Managing Director or Manager any of the powers exercisable by them as Directors by Ordinary Resolution of the Board upon such terms and conditions and with such restrictions as they think fit, and may from time to time revoke, withdraw, alter or vary all or any of such powers.

THE SEAL.

89. The Seal of the Company shall not be affixed to any instrument except by the authority of a resolution of the Board, and, save in the case of share certificates, shall be so affixed in the presence of at least two Directors and of the Secretary or such other person as the Directors may appoint for the purpose, and those two Directors and Secretary or other person aforesaid shall sign every instrument to which the Seal is so affixed in their presence.

PROCEEDINGS OF DIRECTORS.

90. The Directors may meet together for the dispatch of business, adjourn and otherwise regulate the convening and holding of their meetings as they think fit. Questions arising at any meeting shall, except as herein otherwise expressly provided, be determined by a majority of votes. In case of an equality of votes the Chairman appointed under Article 74 shall have a casting vote but a Director temporarily taking the chair in the absence of the Chairman so appointed shall not have any casting vote. The Director or Directors appointed by any Shareholder shall between them have one vote for each complete £50,000 of the Shares held by the Shareholder by whom he or they were appointed. Should all the Directors appointed by any Shareholder not be present at any meeting of Directors those Directors who are present and vote shall be entitled between them to cast all the votes which the whole of the Directors appointed by such Shareholder would have been able to cast had they all been present. In the event of the Directors appointed by any Shareholder not all voting in the same way the votes to which they are collectively entitled shall be divided between them in accordance with the number of such Directors voting on any Resolution.

91. The Chairman or any three Directors may, and the Secretary on the requisition of the Chairman or of three Directors shall, at any time summon a meeting of the Directors.

92. The quorum necessary for the transaction of the business of the Directors may be fixed by the Directors, and unless so fixed at any other number shall be three.

93. The continuing Directors may act notwithstanding any vacancy in their body.

94. The Chairman of the Company shall preside at all meetings of the Board at which he is present, but if at any time there be no such Chairman, or if at any meeting the Chairman be not present within five minutes after the time appointed for holding the same, the Directors present may choose one of their number to be Chairman of the meeting.

95. A resolution in writing, signed by all the Directors for the time being shall be as effective as a resolution passed at a meeting of the Directors duly convened and held.

96. Except as herein otherwise expressly provided, a meeting of the Directors for the time being, at which a quorum is present, shall be competent to exercise all powers and discretions for the time being exercisable by the Directors.

97. The Directors may delegate any of their powers exercisable by Ordinary Resolution of the Board to committees consisting of such member or members of their body as they think fit. Any committee so formed shall in the exercise of the powers so delegated conform to any regulations that may be imposed on them by the Directors.

98. A Committee may elect a Chairman of their meetings ; if no such Chairman be elected, or if at any meeting the Chairman be not present within five minutes after the time appointed for holding the same, the Members present may choose one of their number to be Chairman of the meeting. Provided that the Chairman of the Company shall *ex officio* be a Member and Chairman of all Committees and entitled to preside at all meetings at which he is present.

99. A Committee may meet and adjourn as they think proper. Questions arising at any meeting shall be determined

by a majority of the votes of the Members present, and in case of an equality of votes the Chairman shall have a second or casting vote.

100. All acts done by any meeting of Directors, or of a Committee of Directors, or by any person acting as a Director, shall, notwithstanding it be afterwards discovered that there was some defect in the appointment of any such Director, or person acting as aforesaid, or that they or any of them had vacated office, be as valid as if every such person had been duly appointed, and had continued to be a Director.

101. The Directors shall cause minutes to be made in books provided for the purpose—

- (A) Of all appointments of officers made by the Directors.
- (B) Of the names of the Directors present at each meeting of Directors and of any Committee of Directors.
- (C) Of all resolutions and proceedings at all meetings of the Company and of the Directors and of Committees of Directors.

ALTERNATE DIRECTORS.

102. Any Director may at any time appoint any person approved by the Board (such approval not to be unreasonably withheld) to be an alternate Director of the Company, and may at any time remove any alternate Director so appointed by him from office. An alternate Director so appointed shall not be entitled to receive any remuneration from the Company.

103. An alternate Director shall (subject to his giving to the Company an address at which notices may be served upon him) be entitled to receive notices of all meetings of the Board, and to attend and vote as a Director at any such meeting at which the Director appointing him is not personally present, and generally to perform all the functions of his appointor as a Director in the absence of such appointor.

104. An alternate Director shall *ipso facto* cease to be an alternate Director if his appointor ceases for any reason to be a Director.

105. All appointments and removals of alternate Directors shall be effected by writing under the hand of the Director making or revoking such appointment left at the office.

DIRECTORS VOTING BY PROXY.

106. Any Director shall be entitled by writing under his hand to appoint any other Director his Proxy either to attend a particular meeting or meetings or to attend all meetings and to vote on his behalf thereat and the Director so appointed as Proxy shall be entitled, provided the appointor is not himself present to vote in place of the appointor and to cast the vote or votes which the appointor would himself have been able to cast, had he been present in person.

DIVIDENDS AND RESERVES.

107. The Company in General Meeting may declare dividends to be paid to the Members out of the profits of the Company available for dividend.

108. No dividend shall be payable except out of the profits of the Company or in excess of the amount recommended by the Directors.

109. All dividends shall be declared and paid according to the amounts paid on the shares in respect whereof the dividend is paid, but no amount paid on a share in advance of calls shall, while carrying interest, be treated for the purposes of this Article as paid on the share. All dividends shall be apportioned and paid *pro rata* according to the amounts paid or credited as paid on the shares during any portion or portions of the period in respect of which the dividend is paid but if any share is issued on terms providing that it shall rank for dividend as from a particular date, such share shall rank for dividend accordingly.

110. The Directors may from time to time pay to the Members such interim dividends as appear to the Directors to be justified by the profits of the Company.

111. The Directors may from time to time set aside out of the profits of the Company (including therein premiums obtained on the issue of shares) and carry to reserve or reserves such sums

as they think proper, which shall, at the discretion of the Directors, be applicable for meeting contingencies, or for the gradual liquidation of any debt or liability of the Company, or for repairing or maintaining the works, plant and machinery of the Company, or for equalising dividends, or for any other purpose to which the profits of the Company may properly be applied, and pending such application may, at the like discretion, either be employed in the business of the Company, or be invested in such investments (other than shares of the Company) as the Directors may from time to time think fit.

112. The Directors may deduct from any dividend payable to any Member all sums of money (if any) presently payable by him to the Company on account of calls or otherwise.

113. Notice of any dividend that may have been declared shall be given in manner hereinafter mentioned to the Members entitled to share therein. No dividend shall bear interest as against the Company.

114. Any dividend may be paid by cheque sent through the post to the registered address of the Member. Every such cheque shall be made payable to the order of the Member to whom it is sent.

CAPITALISATION OF PROFITS.

115. (i) The Company in General Meeting may at any time and from time to time pass a resolution to the effect that it is desirable to capitalise any sum of undivided profits of the Company for the time being or the whole or any part of the reserves of the Company, whether representing accumulations of profits of the Company or premiums received upon the issue of shares or debentures or any sum carried to reserve as the result of the sale or revaluation of or other accretion to the assets of the Company or any part thereof, whether standing to reserve or not, and accordingly that such sum or any part thereof be capitalised and applied in paying up shares, debentures or other securities in the capital of the Company, and that the shares so paid up be distributed amongst the shareholders for the time being in proportion to their respective rights had a corresponding amount been distributed in cash.

(ii) Whenever and as often as such a resolution as aforesaid shall have been passed the Directors may pay up unissued shares or debentures or other securities of the Company as the case may be to the amount authorised by the resolution, and distribute the same amongst the shareholders entitled thereto as nearly as may be in accordance with the foregoing provisions with full power to the Directors to make such provision by the issue of fractional certificates or by payment in cash or otherwise as they think fit for the case of fractions, and the Directors may, if thought fit, authorise any person to enter on behalf of all the holders of the said shares into an agreement with the Company providing for the allotment to them in the proportion aforesaid credited as fully paid-up of the shares, debentures or securities, authorised by the resolution to be distributed amongst them, and any agreement made under such authority shall be effective and binding.

ACCOUNTS.

116. The Directors shall cause true accounts to be kept :—

- (A) Of the sums of money received and expended by the Company and the matters in respect of which such receipt and expenditure takes place ; and
- (B) Of the assets and liabilities of the Company.

117. The books of account shall be kept at the office, or at such other place as the Directors think fit, and shall always be open to the inspection of the Directors.

118. Once at least in every year the Directors shall lay before the Company a proper profit and loss account, made up to a date not more than six months before the meeting, and a balance sheet containing a general summary of the capital, the assets, and the liabilities of the Company arranged under suitable heads. The Directors shall, in preparing every such balance sheet, have regard to the provisions of the statutes applicable thereto.

119. Every such balance sheet as aforesaid shall be signed on behalf of the Board by two of the Directors. It shall also have attached to it, or there shall be inserted at the foot thereof, a reference to the Auditors' report.

120. A copy of the profit and loss account and balance sheet, and Directors' report shall, fourteen days previously to the meeting, be delivered or sent by post to the registered address of every Member.

AUDIT.

121. The Company shall at the first Ordinary Meeting, and at each subsequent Ordinary Meeting, appoint an Auditor or Auditors to hold office until the next ensuing Ordinary Meeting.

122. A Director or officer of the Company shall not be capable of being appointed Auditor of the Company.

123. The first Auditors of the Company may be appointed by the Directors before the Statutory Meeting, and if so appointed shall hold office until the first Ordinary Meeting, unless previously removed by resolution of the Shareholders in General Meeting, in which case the Shareholders at such meeting may appoint Auditors.

124. The Directors may fill any casual vacancy in the office of Auditor, but while any such vacancy continues the surviving or continuing Auditor or Auditors (if any) may act.

125. The remuneration of the Auditors shall be fixed by the Company in General Meeting, except that the remuneration of any Auditors appointed before the Statutory Meeting or to fill any casual vacancy may be fixed by the Directors.

126. A person other than a retiring Auditor shall not be capable of being appointed an Auditor at an Ordinary Meeting unless notice of an intention to nominate that person to the office of Auditor has been given by a Member to the Company not less than 14 days before the meeting, and the Company shall send a copy of any such notice to the retiring Auditor and shall give notice thereof to the Members not less than 7 days before the meeting, provided that if after a notice of the intention to nominate an Auditor has been so given an Ordinary Meeting is called for a date 14 days or less after that notice has been given, the notice though not given within the time required by this provision shall be deemed to have been properly given for the

purposes thereof and the notice to be given by the Company may, instead of being given within the time required by this provision, be given at the same time as the notice of the meeting.

127. The Auditors' report to the Shareholders made pursuant to the Statutory provisions as to audit for the time being in force shall be read before the Company in General Meeting and shall be open to inspection by any Shareholder, who shall be entitled to be furnished with a copy of the balance sheet and Auditors' report at such charge not exceeding sixpence for every hundred words as the Directors determine.

NOTICES.

128. Any notice or document may be served by the Company on any Member or Director either personally or by sending it by telegram or cablegram or through the post in a prepaid letter addressed to such Member at his registered address as appearing in the Register of Members.

129. Any Member described in the Register of Members by an address not within the United Kingdom who shall from time to time give to the Company an address within the United Kingdom at which notices may be served upon him shall be entitled to have notices served upon him at such address, which shall be deemed his registered address for the purpose of all provisions of these presents relating to notices.

130. Any notice or other document, if served by post, shall be deemed to have been served at the time when the letter containing the same is posted, and in proving such service it shall be sufficient to prove that the letter containing the notice or document was properly addressed, stamped and posted, any notice served by telegram or cablegram shall be deemed to have been received 24 hours after the same was handed to the Post Office or Cable Company.

WINDING UP.

131. If the Company shall be wound up the Liquidator may, with the sanction of an Extraordinary Resolution of the contributories, divide amongst the contributories in specie the whole

or any part of the assets of the Company, and may with the like sanction vest the whole or any part of such assets in Trustees upon such trusts for the benefit of the contributories as the Liquidator with the like sanction shall think fit.

ARBITRATION.

132. In the event of any dispute between the Company and any Member in any way arising out of these presents, or the agreement signed by any Member as a condition of his admission to membership, or as to the rights or liabilities of the Company or such Member, or as to the true intent and meaning of these presents or any such agreement as aforesaid, the same shall be referred to arbitration before a single arbitrator, such arbitrator to be agreed upon or failing agreement to be nominated on the application of any party to the dispute by

The arbitrator so agreed upon or nominated shall determine where the arbitration is to be held and the manner in which the same is to be conducted, it being the express intention of the parties that the arbitrator shall without being bound by the rules of law of any country, be entitled to give such decision as will in his opinion be equitable having regard to the objects with which and the special circumstances in which the Company has been incorporated and the international character of the Company. The Company and all the members of the Company shall be bound to abide by and give effect to the decision of the arbitrator without appeal.

INDEMNITY.

133. The Directors, Managing Directors, Agents, Auditors, Secretary and other officers for the time being of the Company and the Trustees (if any) for the time being acting in relation to any of the affairs of the Company and every of them and every of their heirs, executors, and administrators shall be indemnified and secured harmless out of the assets and profits of the Company from and against all actions, costs, charges, losses, damages and expenses which they or any of them, their or any of their heirs, executors or administrators shall or may incur or sustain by or by reason of any act done, concurred in, or omitted in or about the execution of their duty or supposed duty in their respective offices or trusts, except such (if any) as they shall incur or sustain through or by

their own wilful neglect or default respectively, and none of them shall be answerable for the acts, receipts, neglects or defaults of the other or others of them or for joining in any receipt for the sake of conformity, or for any bankers or other persons with whom any moneys or effects belonging to the Company shall or may be lodged or deposited for safe custody, or for the insufficiency or deficiency of any security upon which any moneys of or belonging to the Company shall be placed out or invested, or for any other loss, misfortune or damage which may happen in the execution of their respective offices or trusts or in relation thereto, except the same shall happen by or through their own wilful neglect or default respectively.

THE SCHEDULE.

Form of Agreement to be entered into by Members with the Company pursuant to Clause 6 of the Memorandum of Association.

[Set out copy of Draft Agreement herewith.]

NAMES, ADDRESSES AND DESCRIPTIONS OF SUBSCRIBERS.

Dated the day of 1922.

Witness to the above Signatures—

Proof 27/2/22.

THE COMPANIES ACTS, 1908 to 1917.

COMPANY LIMITED BY SHARES.

Memorandum
AND
Articles of Association
OF
THE NATIONAL CORPORATION,
LIMITED.

LINKLATERS & PAINES,
2, BOND COURT, WALBROOK,
LONDON, E.C.4

THE COMPANIES ACTS, 1908 to 1917.

COMPANY LIMITED BY SHARES.

Memorandum
AND
Articles of Association
OF
The National Corporation,
LIMITED.

LINKLATERS & PAINES,
2, BOND COURT, WALBROOK,
LONDON, E.C.4.

BURRUP, MATHIESON & SPRAGUE, Ltd., 31, Throgmorton St., London, E.C.2.
Telephone 4420 Hop (4 lines).

THE COMPANIES ACTS, 1908 TO 1917.

COMPANY LIMITED BY SHARES.

Memorandum of Association

OF

The National Corporation,
LIMITED.

1. The name of the Company is "THE NATIONAL CORPORATION, LIMITED."

2. The Registered Office of the Company will be situate in England.

3. The objects for which the Company is established are :—

(A) To subscribe for, acquire and hold, shares, stocks, securities and obligations of The International Corporation Limited (being a Company incorporated under the Companies (Consolidation) Act, 1908, on the day of 1922) and to exercise all rights, privileges and advantages conferred by any such stocks, shares, securities, or obligations for the time being held by or belonging to the Company.

(B) As a term of being admitted to acquire shares in the said Corporation, to enter into an agreement with the said Corporation in the terms (with or without modification) of the form of agreement scheduled to the original Articles of Association of the said Corporation, and duly to observe, carry out and perform all the terms and stipulations of any agreement so entered into.

(C) At the request or with the consent or on the nomination or allocation of the said International Corporation Limited (but not otherwise), and either as principal or as agent, contractor, or trustee for the said Corporation, or any

other person, firm, company, authority or government and upon and subject to such terms and conditions, if any, as may be arranged with, or stipulated by the said Corporation, to do all or any of the following things in any part of the world, namely :—

- (i) To construct, execute, carry out, equip, and work, develop, administer, manage or control, or be interested in all kinds of works and conveniences, public or private, and in particular (but without limiting the generality of the foregoing), railways, tramways, hotels, ships, docks, harbours, piers, wharves, canals, reservoirs, embankments, irrigations, reclamations, telegraphs, telephones, and sewage, drainage, sanitary, water, gas, electric, hydraulic and shipbuilding works, but as regards telegraphs and telephones not within the United Kingdom.
- (ii) To lend money on the security of, acquire, hold, issue, negotiate, place, guarantee subscription of, underwrite and deal in stocks, shares, debentures, debenture stock, bonds, mortgages, obligations and securities of all kinds, issued, created, granted, guaranteed or made by any government, sovereign, ruler or other authority, national, local, municipal, or of any other description, or of any corporation, company, firm or person, and to give any guarantee for payment of money, or the carrying out of any contract or obligation, and in particular to guarantee the principal or capital and interest or dividends of any shares, stocks, debentures, loans, obligations or securities.
- (iii) To carry on the business of banking in all or any of its branches and departments, and for that purpose to establish, manage, carry on and register offices, branches or agencies in any part of the world, and to promote and further in all respects within its powers, financial and commercial, relations between all or any countries of the world.
- (iv) To lend or advance money, securities and property, to discount, buy, sell, and deal in bills of exchange, promissory notes, coupons, drafts, bills of lading, warrants and other instruments and securities, whether transferable or negotiable or not, to give

acceptances and guarantees and generally to promote financial facilities for any purposes, to negotiate loans and advances, to issue warrants for goods and raw materials under its control, to collect and transmit money and securities and generally to transact all kinds of agency and other business commonly transacted by bankers.

- (v) To seek for and secure openings for and promote the employment of capital for any purposes which may be considered calculated to promote employment or to improve existing economical or industrial conditions and to enter into any arrangements with any Governments or authorities, supreme, municipal, local or otherwise, and to obtain from any such Government or authority any rights, privileges, or concessions, which may be considered desirable, and to carry out, exercise and comply with any such arrangements, rights, privileges and concessions.
- (vi) To take or concur in taking all such steps and proceedings as may be considered calculated to uphold and support the credit of the Company or of The International Corporation Limited, or any Companies or bodies with which it is associated in any way, or to obtain and justify public confidence or to avert or minimise financial, industrial, political or other disturbances.
- (vii) To act as agents for the investment, loan, payment, transmission and collection of money, and for the purchase, sale, improvement, development and management of property, including business concerns and undertakings of all kinds and generally to transact and undertake all kinds of agency and commission business.
- (viii) To lend and advance money at interest or otherwise on any security or without security, and generally upon such terms and subject to such conditions as may be considered expedient.
- (ix) To form, promote, subsidise, finance and assist Governments, authorities, companies, syndicates, partnerships and other bodies of all kinds.

- (x) Generally to carry on and undertake any business undertaking, transaction or operation whatever, whether mercantile, commercial, financial, manufacturing, agricultural, trading or otherwise which an individual capitalist could lawfully undertake or carry on.

(D) For the purpose of or in connection with or as ancillary to any of the businesses, undertakings, transactions, operations, matters or things aforesaid.

- (i) To manufacture and deal in all kinds of articles and things required for the purposes of any such business as aforesaid or commonly dealt in by persons engaged in any such business.
- (ii) To purchase or otherwise acquire for any estate or interest any property, real or personal, or rights of any kind which may appear to be necessary or convenient (whether in the United Kingdom or elsewhere), and to develop and turn to account and deal with the same in such manner as may be thought expedient.
- (iii) To borrow and raise money, and to secure or discharge any debt or obligation of or binding on the Company in such manner as may be thought fit and in particular by mortgages and charges upon the undertaking and all or any of the real and personal property (present and future) and the uncalled capital of the Company, or by the creation and issue on such terms as may be thought expedient of bonds, debentures, debenture stock or other securities of any description.
- (iv) To draw, make, accept, endorse, discount, negotiate, execute, and issue bills of exchange, promissory notes, and other negotiable or transferable instruments.
- (v) To enter into partnership or any joint purse or profit sharing arrangement with or co-operate in any way with any company, firm, or person carrying on or proposing to carry on any business within the objects of this Company.

(vi) To promote any company whose objects shall include the carrying on or undertaking of any such business, undertaking, transaction, or operation as aforesaid, or the acquisition of all or any of the assets or liabilities of this Company or the promotion of which shall be considered to be calculated to advance directly or indirectly the objects of this Company or the interests of its Members.

(vii) To lend money to and guarantee the performance of the obligations of and the payment of the capital and principal of, and dividends and interest on any stock, shares and securities of any company, firm, or person in any case in which such loan or guarantee may be considered likely directly or indirectly to further the objects of this Company or the interests of its Members.

(E) To sell, lease, grant licences, easements and other rights over, and in any other manner deal with or dispose of the undertaking, property, assets, rights and effects of the Company or any part thereof for such consideration as may be thought fit, and in particular for stocks, shares or securities of any other company.

(F) To subscribe for, underwrite, purchase or otherwise acquire, and to hold, dispose of, and deal in the shares, stocks and securities of any company promoted by this Company or carrying on or proposing to carry on any business within the objects of this Company.

(G) To take all necessary or proper steps in Parliament or with the authorities, national, local, municipal or otherwise, of any place in which the Company may have interests, and to carry on any negotiations or operations for the purpose of directly or indirectly carrying out the objects of the Company or effecting any modification in the constitution of the Company or furthering the interests of its Members, and to oppose any such steps taken by any other company, firm or person which may be considered likely directly or indirectly to prejudice the interests of this Company or its Members.

(H) To procure the registration or incorporation of the Company in or under the laws of any place outside England.

(I) To subscribe or guarantee money for any national, charitable, benevolent, public, general or useful object or for any exhibition.

(J) To grant pensions or gratuities to any employees or ex-employees of the Company or its predecessors in business, or the relations, connections or dependents of any such persons, and to establish or support associations, institutions, clubs, funds and trusts which may be considered calculated to benefit any such persons or otherwise advance the interests of the Company or of its members.

(K) To invest any moneys of the Company not for the time being required for the general purposes of the Company in such investments (other than shares in the Company) as may be thought proper, and to hold, sell or otherwise deal with such investments.

(L) To distribute among the Members of the Company in specie any property of the Company.

(M) To do all or any of the things and matters aforesaid in any part of the world, and either as principals, agents, contractors, trustees or otherwise, and by or through trustees, agents or otherwise, and either alone or in conjunction with others.

(N) To do all such other things as may be considered to be incidental or conducive to the above objects or any of them.

4. The liability of the Members is limited.

5. The capital of the Company is £4,000,000, divided into 4,000,000 shares of £1 each.

6. Any of the said shares for the time being unissued and any new shares from time to time to be created may from time to time be issued with such preferred, deferred or other special rights or such restrictions whether in regard to dividend, return of capital, voting, or otherwise as the Company may from time to time by extraordinary resolution determine, but so that the special rights belonging to the holders of any shares issued with preferred or other special rights shall not be modified or abrogated except with such sanction as is provided by the Articles of Association of the Company for the time being.

WE, the several persons whose names and addresses are subscribed, are desirous of being formed into a Company, in pursuance of this Memorandum of Association, and we respectively agree to take the number of Shares in the capital of the Company set opposite to our respective names.

NAMES, ADDRESSES, AND DESCRIPTIONS OF SUBSCRIBERS.	No. of Shares taken by each Subscriber.
Total Shares taken	

Dated the day of 1922.

Witness to the above Signatures—

THE COMPANIES ACTS, 1908 TO 1917.

COMPANY LIMITED BY SHARES.

Articles of Association
OF
The National Corporation,
LIMITED.

PRELIMINARY.

1. The regulations in Table "A" in the First Schedule to the Companies (Consolidation) Act, 1908, shall not apply to the Company.

2. In these presents, if not inconsistent with the subject or context, the words standing in the first column of the table next hereinafter contained shall bear the meanings set opposite to them respectively in the second column thereof.

WORDS.	MEANINGS.
The Statutes.	The Companies Acts 1908 to 1917, and every other Act for the time being in force concerning joint stock companies and affecting the Company.
The Act.	The Companies (Consolidation) Act, 1908.
These presents.	These Articles of Association, as originally framed, or as from time to time altered by Special Resolution.

WORDS.	MEANINGS.
Office.	The Registered Office of the Company.
Secretary.	The Secretary for the time being of the Company or any person from time to time appointed by the Directors to perform the duties of the Secretary.
Seal.	The Common Seal of the Company.
Month.	Calendar month.
Year.	Year from the 1st January to the 31st December inclusive.
In writing.	Written, or produced by any substitute for writing, or partly one and partly another.

And words importing the singular number only shall include the plural, and *vice versa*, and words importing the masculine gender shall include the feminine gender, and words importing persons shall include corporations and the expressions "Debenture" and "Debenture Holder" shall include "Debenture Stock" and "Debenture Stockholder."

Save as aforesaid any words or expressions defined in the Statutes shall, if not inconsistent with the subject or context, bear the same meaning in these presents.

BUSINESS.

3. The Company is formed for the purpose of acquiring shares in and working in co-operation with The International Corporation Limited (hereinafter called "the Corporation") and all other companies becoming Members of the Corporation, and of entering into such agreement with the Corporation as mentioned in the Company's Memorandum of Association. The Directors shall as soon as possible after incorporation, subscribe on behalf of the Company for such number of shares of the Corporation as shall be approximately equal to 10 per cent. of the original capital of the Company, and enter on behalf of the Company into an agreement with the Corporation in the form (with or without modification) scheduled to the Corporation's original Articles of Association, and the Company shall at all times duly carry out, perform and observe all the terms and provisions of such agreement.

4. Subject to the provisions of Section 87 of the Act the business of the Company may be commenced as soon after the incorporation of the Company as the Directors think fit.

5. No part of the funds of the Company shall be employed in the purchase of or in loans upon the security of the Company's shares.

PREFERENCE SHARES.

6. Without prejudice to any special rights previously conferred on the holders of any shares or class of shares already issued (which special rights shall not be modified or abrogated except with such consent or sanction as is provided by the next following article) any share in the Company (whether forming part of the original capital or not) may be issued with such preferred, deferred, or other special rights, or such restrictions, whether in regard to dividend, return of capital, voting or otherwise, as the Company may from time to time by special resolution determine.

MODIFICATION OF RIGHTS.

7. If at any time the capital of the Company is divided into different classes of shares, the special rights attached to any class may either with the consent in writing of the holders of three-fourths of the issued shares of the class, or with the sanction of an Extraordinary Resolution passed at a separate General Meeting of such holders (but not otherwise) be modified or abrogated, and may be so modified or abrogated either whilst the Company is a going concern or during or in contemplation of a winding up. To every such separate General Meeting all the provisions of these presents relating to general meetings or to the proceedings thereat shall, *mutatis mutandis*, apply, but so that the necessary quorum shall be two persons at least holding or representing by proxy one-tenth of the issued shares of the class, and that the holders of shares of the class shall, on a poll, have one vote in respect of each share of the class held by them respectively, and that if at any adjourned meeting of such holders a quorum is not present, those Members who are present shall be a quorum.

8. The special rights conferred upon the holders of any shares or class of shares issued with preferred or other special rights shall not, unless otherwise expressly provided by the conditions of issue of such shares, be deemed to be modified by the creation or issue of further shares ranking *pari passu* therewith.

SHARES.

9. The shares shall be at the disposal of the Directors, and they may allot, grant options over, or otherwise dispose of them to such persons, at such times, and on such terms as they think proper. Provided that the Directors shall, as regards any offer or allotment of shares, comply with the provisions of Sections 85 and 88 of the Act, if and so far as such provisions may be applicable thereto.

10. On any offer or allotment of share capital to which Section 85 of the Act shall apply, the minimum subscription upon which the Directors may proceed to allotment shall be seven shares.

11. The Company (or the Directors on behalf of the Company) may exercise the powers of paying commissions conferred by Section 89 of the Act. Provided that the rate per cent. or the amount of the commission paid or agreed to be paid shall be disclosed in the manner required by the said Section, and shall not exceed the rate of 10 per cent. of the nominal amount of the shares in respect whereof the same is paid, or an amount equal to 10 per cent. of the nominal amount of such shares (as the case may be). The Company (or the Directors on behalf of the Company) may also on any issue of shares pay such brokerage as may be lawful.

12. If any shares of the Company are issued for the purpose of raising money to defray the expenses of the construction of any works or buildings, or the provision of any plant which cannot be made profitable for a lengthened period, the Company, or the Directors on behalf of the Company, may, subject to the conditions and restrictions mentioned in Section 91 of the Act, pay interest on so much of such share capital as is for the time being paid up and may charge the same to capital as part of the cost of construction of the works, buildings or plant.

13. No person shall be recognised by the Company as holding any share upon any trust, and the Company shall not be bound by or recognise any equitable, contingent, future or partial interest in any share, or any interest in any fractional part of a share or (except only as by these presents otherwise provided) any other right in respect of any share, except an absolute right to the entirety thereof in the registered holder.

14. Every person whose name is entered as a Member in the Register of Members, shall be entitled without payment to one certificate for all his shares, or upon payment of such sum, not exceeding 2s. 6d., for every certificate after the first as the Directors shall from time to time determine, to several certificates, each for one or more of his shares. Every certificate shall be issued under the seal, and bear the signatures of one or more Directors and the Secretary, and shall specify the shares to which it relates, and the amount paid up thereon. Provided that in the case of a share held jointly by several persons, the Company shall not be bound to issue more than one certificate therefor, and delivery of a certificate for a share to one of several joint holders shall be sufficient delivery to all.

15. If a share certificate be defaced, lost or destroyed, it may be renewed on payment of such fee (if any) not exceeding one shilling, and on such terms (if any) as to evidence and indemnity as the Directors think fit.

LIEN.

16. The Company shall have a lien on every share (not being a fully paid share) for all moneys, whether presently payable or not, called or payable at a fixed time in respect of such share; and the Company shall also have a first and paramount lien and charge on all shares (other than fully paid shares) standing registered in the name of a single Member for all the debts and liabilities of such Member or his estate to the Company, and that whether the same shall have been incurred before or after notice to the Company of any equitable or other interest in any person other than such Member and whether the period for the payment or discharge of the same shall have actually arrived or not, and notwithstanding that the same are joint debts or liabilities of such Member or his estate and any other person whether a Member of the Company or not. The Company's lien (if any) on a share shall extend to all dividends payable thereon.

17. The Company may sell, in such manner as the Directors think fit, any shares on which the Company has a lien, but no sale shall be made unless some sum in respect of which the lien exists is presently payable, nor until the expiration of fourteen days after a notice in writing, stating and demanding payment of the sum presently payable, and giving notice of the intention to sell in default shall have been given to the holder for the time being of the share or the person entitled by reason of his death or bankruptcy to the share.

18. The proceeds of sale shall be applied in or towards payment or satisfaction of the debt or liability in respect whereof the lien exists so far as the same is presently payable, and any residue shall (subject to a like lien for debts or liabilities not presently payable as existed upon the shares prior to the sale) be paid to the person entitled to the shares at the time of the sale. The purchaser shall be registered as the holder of the shares and he shall not be bound to see to the application of the purchase money, nor shall his title to the shares be affected by any irregularity or invalidity in the proceedings in reference to the sale.

CALLS ON SHARES.

19. The Directors may from time to time make calls upon the Members in respect of any moneys unpaid on their shares, provided that no call shall exceed one-fourth of the nominal amount of the share or be payable at less than two months from the last call, and each Member shall (subject to receiving at least one month's notice specifying the time or times and place of payment) pay to the Company at the time or times and place so specified the amount called on his shares.

20. A call shall be deemed to have been made at the time when the resolution of the Directors authorising the call was passed.

21. The joint holders of a share shall be jointly and severally liable to pay all calls in respect thereof.

22. If a sum called in respect of a share is not paid before or on the day appointed for payment thereof, the person from whom the sum is due shall pay interest on the sum from the day appointed for payment thereof to the time of actual payment at such rate, not exceeding 10 per cent. per annum, as the Directors determine, but the Directors shall be at liberty to waive payment of such interest wholly or in part.

23. Any sum which by the terms of issue of a share becomes payable upon allotment, or at any fixed date, whether on account of the amount of the share or by way of premium, shall for all the purposes of these presents be deemed to be a call duly made and payable on the date on which, by the terms of issue, the same becomes payable, and in case of non-payment all the relevant provisions of these presents as to payment of interest and expenses, forfeiture or otherwise, shall apply as if such sum had become payable by virtue of a call duly made and notified.

24. The Directors may make arrangements on the issue of shares for a difference between the holders in the amount of calls to be paid, and in the times of payment.

25. The Directors may, if they think fit, receive from any Shareholder willing to advance the same, all or any part of the moneys uncalled and unpaid upon any shares held by him, and upon all or any of the moneys so advanced, may (until the same would but for such advance become presently payable) pay interest at such rate not exceeding (unless the Company in General Meeting shall otherwise direct) 10 per cent. per annum, as may be agreed upon between the Directors and the Shareholder paying such sum in advance.

TRANSFER OF SHARES.

26. All transfers of shares shall be effected by transfer in writing in the usual common form.

27. The instrument of transfer of a share shall be executed both by the transferor and transferee, and the transferor shall be deemed to remain the holder of the share until the name of the transferee is entered in the Register of Members in respect thereof.

28. The Directors may, in their absolute discretion, and without assigning any reason therefor, decline to register any transfer of shares (not being fully paid shares) to a person of whom they shall not approve, and they may also decline to register any transfer of shares on which the Company has a lien.

29. The Directors may also decline to recognise any instrument of transfer, unless

(A) Such fee, not exceeding 2s. 6d., as the Directors may from time to time require is paid to the Company in respect thereof; and

(B) The instrument of transfer is accompanied by the certificate of the shares to which it relates, and such other evidence as the Directors may reasonably require to show the right of the transferor to make the transfer.

30. The register of transfers may be closed at such times and for such period as the Directors may from time to time determine, provided always that it shall not be closed for more than thirty days in any year.

TRANSMISSION OF SHARES.

31. In case of the death of a shareholder the survivors or survivor where the deceased was a joint holder, and the executors or administrators of the deceased where he was a sole holder, shall be the only persons recognised by the Company as having any title to his shares, but nothing herein contained shall release the estate of a deceased joint holder from any liability in respect of any share jointly held by him.

32. Any person becoming entitled to a share in consequence of the death or bankruptcy of a Member may upon such evidence being produced as may from time to time be required by the Directors, and subject as hereinafter provided, either be registered himself as holder of the share or elect to have some person nominated by him registered as the transferee thereof.

33. If the person so becoming entitled shall elect to be registered himself he shall deliver or send to the Company a notice in writing signed by him stating that he so elects. If he shall elect to have his nominee registered he shall testify his election by executing to his nominee a transfer of such share. All the limitations, restrictions and provisions of these presents relating to the right to transfer and the registration of transfers of shares shall be applicable to any such notice or transfer as aforesaid as if the death or bankruptcy of the Member had not occurred and the notice or transfer were a transfer executed by such Member.

34. A person becoming entitled to a share in consequence of the death or bankruptcy of a Member shall be entitled to receive and may give a discharge for all dividends and other moneys payable in respect of the share, but he shall not be entitled to receive notices of or to attend or vote at meetings of the Company or save as aforesaid to any of the rights or privileges of a Member until he shall have become a Member in respect of the share.

FORFEITURE OF SHARES.

35. If a Member fails to pay any call or instalment of a call on the day appointed for payment thereof, the Directors may at any time thereafter during such time as any part of such call or instalment remains unpaid, serve a notice on him requiring payment of so much of the call or instalment as is unpaid, together with any interest and expenses which may have accrued.

36. The notice shall name a further day on or before which and the place where the payment required by the notice is to be made, and shall state that in the event of non-payment at or before the time and at the place appointed the shares on which the call was made will be liable to be forfeited.

37. If the requirements of any such notice as aforesaid are not complied with any share in respect of which such notice has been given may at any time thereafter before payment of all calls and interest and expenses due in respect thereof has been made be forfeited by a resolution of the Directors to that effect.

38. A forfeited share may be sold, re-allotted or otherwise disposed of either to the person who was before forfeiture the holder thereof or entitled thereto, or to any other person upon such terms and in such manner as the Directors shall think fit, and at any time before a sale or disposition the forfeiture may be cancelled on such terms as the Directors think fit.

39. A shareholder whose shares have been forfeited shall cease to be a Member in respect of the forfeited shares, but shall notwithstanding the forfeiture remain liable to pay to the Company all moneys which at the date of forfeiture were presently payable by him to the Company in respect of the shares, with interest thereon at seven per cent. per annum from the date of forfeiture until payment.

40. A statutory declaration in writing that the declarant is a Director of the Company and that a share had been duly forfeited on a date stated in the declaration shall be conclusive evidence of the facts therein stated as against all persons claiming to be entitled to the share, and such declaration and the receipt of the Company for the consideration (if any) given for the share on the sale or disposal thereof shall constitute a good title to the share and the person to whom the share is sold or disposed of shall be registered as the holder of the share and shall not be bound to see to the application of the purchase money (if any), nor shall his title to the share be affected by any irregularity or invalidity in the proceedings in reference to the forfeiture, sale or disposal of the share.

STOCK. .

41. The Directors may with the sanction of the Company previously given in General Meeting, convert any paid-up shares

into stock, and may with the like sanction reconvert any stock into paid-up shares of any denomination.

42. The holders of stock may transfer the same or any part thereof in the same manner, and subject to the same regulations as and subject to which the shares from which the stock arose might previously to conversion have been transferred, or as near thereto as circumstances admit, but no stock shall be transferable except in sums of £1 or multiples of £1. No warrants to bearer shall be issued in respect of any stock.

43. The holders of stock shall, according to the amount of the stock held by them, have the same rights, privileges and advantages as regards dividends, participation in assets on a winding up, voting at meetings of the Company, and other matters as if they held the shares from which the stock arose, but no such privilege or advantage (except participation in dividends and in assets on a winding up) shall be conferred by any such aliquot part of stock as would not, if existing in shares, have conferred such privilege or advantage.

44. All such of the provisions of these presents (other than those relating to share warrants) as are applicable to paid-up shares shall apply to stock, and the words "share" and "shareholder" therein shall include "stock" and "stockholder."

INCREASE OF CAPITAL.

45. The Company in General Meeting may from time to time by resolution increase its capital by such sum to be divided into shares of such amounts as the resolution shall prescribe.

46. The Company may by the resolution increasing the capital direct that the new shares, or any of them, shall be offered in the first instance, either at par or at a premium, to all the ordinary shareholders for the time being, in proportion to the number of ordinary shares held by them respectively, or make any other provisions as to the issue of the new shares. In default of any such direction, or so far as the same shall not extend, the new shares shall be at the disposal of the Directors, who may allot, grant options over, or otherwise dispose of them to such persons and on such terms as they shall think fit.

47. The new shares shall be subject to the same provisions with reference to the payment of calls, lien, transfer, transmission, forfeiture and otherwise, as the shares in the original capital,

and unless otherwise provided in accordance with these presents, the new shares shall be ordinary shares.

ALTERATIONS OF CAPITAL.

48. The Company in General Meeting may by Ordinary Resolution—

- (A) Consolidate and divide all or any of its share capital into shares of larger amount than its existing shares.
- (B) Cancel any shares which, at the date of the passing of the resolution, have not been taken, or agreed to be taken, by any person, and diminish the amount of its capital by the amount of the shares so cancelled.

And may also by Special Resolution—

- (C) Sub-divide its shares, or any of them, into shares of smaller amount than is fixed by the Memorandum of Association (subject, nevertheless, to the provisions of Section 41 (1) (d) of the Act), and so that the Special Resolution whereby any share is sub-divided may determine that as between the holders of the shares resulting from such sub-division, one or more of the shares may have any such preferred or other special rights over, or may have such deferred rights, or be subject to any such restrictions as compared with the other or others as the Company has power to attach to unissued or new shares.
- (D) Reduce its capital in any manner authorised by law.

GENERAL MEETINGS.

49. The Statutory Meeting of the Company shall be held at such time (within a period of no less than one month, nor more than three months from the date at which the Company is entitled to commence business) and at such place as the Directors may determine, and the provisions of Section 65 of the Act, or other the provisions of the statutes relating to the Statutory Meeting shall be duly observed.

50. A General Meeting shall be held in the year 1923, and in every subsequent year, at such time (within a period of not more than fifteen months after the holding of the last preceding General

Meeting) and place as may be determined by the Directors. The General Meetings referred to in this Article shall be called Ordinary Meetings. All General Meetings other than Ordinary Meetings and the Statutory Meeting shall be called Extraordinary.

51. The Directors may call an Extraordinary Meeting whenever they think fit, and shall, on the requisition of the holders of not less than one-tenth of the issued capital of the Company upon which all calls or other sums then due have been paid, forthwith proceed to convene an Extraordinary Meeting. The requisition must state the objects of the meeting, and must be signed by the requisitionists, and deposited at the office, and may consist of several documents in like form, each signed by one or more of the requisitionists.

NOTICE OF GENERAL MEETINGS.

52. Seven days' notice at the least (inclusive of the day on which the notice is served or deemed to be served, but exclusive of the day for which the notice is given) specifying the place, the day, and the hour of meeting, and in case of special business, the general nature of such business, shall be given in manner hereinafter mentioned to such Members as are, under the provisions herein contained, entitled to receive notice from the Company.

53. The accidental omission to give notice to, or the non-receipt of notice by, any Member, shall not invalidate the proceedings at any General Meeting.

54. Whenever it is intended to pass a Special Resolution the two meetings may be convened by one and the same notice, and it shall be no objection that the notice only convenes the second meeting contingently on the resolution being passed by the requisite majority at the first meeting.

PROCEEDINGS AT GENERAL MEETINGS.

55. All business shall be deemed special that is transacted at the Statutory Meeting or at an Extraordinary Meeting, and also all business that is transacted at an Ordinary Meeting, with the exception of sanctioning dividends, the consideration of the accounts and balance sheet, and the ordinary reports of the Directors and Auditors, the election of Directors and Auditors and other officers in the place of those retiring by rotation or

otherwise and the fixing of the remuneration of the Auditors and the remuneration or extra remuneration of the Directors.

56. No business shall be transacted at any General Meeting unless a quorum is present when the meeting proceeds to business. Three Members present in person shall be a quorum for all purposes.

57. If within half an hour from the time appointed for the meeting a quorum is not present, the meeting, if convened on the requisition of Members, shall be dissolved. In any other case it shall stand adjourned to the same day in the next week, at the same time and place, and if at such adjourned meeting a quorum is not present within fifteen minutes from the time appointed for holding the meeting, the Members present shall be a quorum.

58. The Chairman (if any) of the Board of Directors shall preside as Chairman at every General Meeting of the Company. If there be no such Chairman or if at any meeting he be not present within fifteen minutes after the time appointed for holding the meeting or be unwilling to act as Chairman, the Members present shall choose some Director, or if no Director be present, or if all the Directors present decline to take the chair, they shall choose some Member present to be Chairman.

59. The Chairman may, with the consent of any meeting a which a quorum is present (and shall if so directed by the meeting) adjourn the meeting from time to time and from place to place, but no business shall be transacted at any adjourned meeting except business which might lawfully have been transacted at the meeting from which the adjournment took place. When a meeting is adjourned for fourteen days or more, notice of the adjourned meeting shall be given as in the case of an original meeting. Save as aforesaid, it shall not be necessary to give any notice of an adjournment or of the business to be transacted at an adjourned meeting.

60. At any General Meeting a resolution put to the vote of the meeting shall be decided on a show of hands unless a poll is (before or on the declaration of the result of the show of hands) demanded by at least three Members present in person or by proxy and entitled to vote. Unless a poll is so demanded, a declaration by the Chairman that a resolution has been carried, or carried unanimously, or by a particular majority, or lost, and an entry to that effect in the book of proceedings of the Company shall be conclusive evidence of the fact without proof of the number or proportion of the votes recorded in favour of or against such resolution.

61. If a poll be duly demanded, it shall be taken in such manner as the Chairman may direct, and the result of a poll shall be deemed to be the resolution of the meeting at which the poll was demanded.

62. In the case of an equality of votes, whether on a show of hands or on a poll, the Chairman of the meeting at which the show of hands takes place or at which the poll is demanded shall be entitled to a second or casting vote.

63. A poll demanded on the election of a Chairman or on a question of adjournment shall be taken forthwith. A poll demanded on any other question shall be taken at such time and place as the Chairman directs.

64. The demand for a poll shall not prevent the continuance of a meeting for the transaction of any business other than the question on which the poll has been demanded.

VOTES OF MEMBERS.

65. On a show of hands every Member, who being an individual) is present in person or (being a corporation) is present by a proxy not being himself a Member, shall have one vote. On a poll every Member who is present in person or by proxy shall have one vote for each share of which he is the holder.

66. In the case of joint holders of a share the vote of the senior who tenders a vote, whether in person or by proxy, shall be accepted to the exclusion of the votes of the other joint holders and for this purpose seniority shall be determined by the order in which the names stand in the Register of Members.

67. A Member of unsound mind or in respect of whom an order has been made by any Court having jurisdiction in lunacy, may vote whether on a show of hands or on a poll, by his committee, *curator bonis*, or other person in the nature of a committee or *curator bonis* appointed by such Court, and such committee *curator bonis* or other person may on a poll vote by proxy.

68. No Member shall be entitled to vote at any General Meeting unless all calls or other sums presently payable by him in respect of shares in the Company have been paid.

69. On a poll, votes may be given either personally or by proxy.

70. The instrument appointing a proxy shall be in writing under the hand of the appointor or of his attorney duly authorised in writing, or if the appointor is a corporation either under the common seal or under the hand of an officer or attorney so authorised.

71. No person shall act as a proxy unless either he is entitled on his own behalf to be present and vote at the meeting at which he acts as proxy or he is appointed to act at that meeting as proxy for a corporation.

72. The instrument appointing a proxy and the power of attorney or other authority (if any), under which it is signed, or a notarially certified copy of such power or authority, shall be deposited at the office not less than 48 hours before the time appointed for holding the meeting or adjourned meeting at which the person named in the instrument proposes to vote, and in default the instrument of proxy shall not be treated as valid. No instrument appointing a proxy shall be valid after the expiration of 12 months from the date named in it as the date of its execution.

73. An instrument of proxy may be in the following form, or in any other form which the Directors shall approve.

THE NATIONAL CORPORATION, LIMITED.
 I of
 being a Member of the above named Company hereby appoint
 of as my proxy to
 vote for me, and on my behalf, at the Ordinary [*or*
Extraordinary as the case may be] General Meeting
 of the Company to be held on the day of
 , 19 , and at any adjournment
 thereof.

As Witness my hand this day of 19 .

74. A vote given in accordance with the terms of an instrument of proxy shall be valid, notwithstanding the previous death or insanity of the principal or revocation of the proxy, or of the authority under which the proxy was executed, or the transfer of the share in respect of which the proxy is given, provided that no intimation in writing of such death, insanity, revocation or transfer as aforesaid, shall have been received by the Company at the office before the commencement of the meeting or adjourned meeting at which the proxy is used.

DIRECTORS.

75. Unless and until otherwise determined by the Company in General Meeting, the Directors shall be not less than three nor more than seven in number. The first Directors shall be appointed in writing by a majority of the subscribers of the Memorandum of Association, and their number shall be within the limit above mentioned.

76. The Directors' remuneration shall be at the rate of £ per annum each, with an additional £ per annum for the Chairman of the Board, and such extra remuneration as may be voted by the Company in General Meeting. Such extra remuneration shall in default of agreement to the contrary be divided between the Directors equally. The Directors shall (unless the Board shall by resolution in any particular case otherwise determine) be repaid all such reasonable travelling, hotel and other expenses (approved by the Board) as they may incur in attending meetings of the Board, or of committees of the Board or of the Members of the Company, or otherwise in or about the business of the Company.

77. Any Director who by request performs special services, which shall be deemed to include services rendered as a member of any committee of the Board and any other services which the Board shall by resolution declare to be special services within the meaning of this Article, or goes or resides abroad for any purposes of the Company shall (unless otherwise expressly resolved by the Company in General Meeting) receive such extra remuneration by way of salary, percentage of profits or otherwise as the Board may determine, which shall be charged as part of the Company's ordinary working expenses.

78. The qualification of a Director shall be the holding alone and not jointly with any other person of shares of the Company of the nominal amount of £100.

79. The office of a Director shall be vacated in the following events, namely :—

- (A) If he resign his office by writing under his hand left at the office.
- (B) If he become bankrupt or compound with his creditors.
- (C) If the Directors resolve that he is physically or mentally incapable of performing his duties as a Director.
- (D) If he be absent from meetings of the Directors for six calendar months without leave, and the Directors resolve that his office be vacated.

(E) If he be requested in writing by all his co-Directors to resign.

(F) If (not being already qualified) he do not obtain his qualification within two months after his appointment, or at any time thereafter cease to hold his qualification, and so that a Director vacating office under this provision shall be incapable of being re-appointed a Director until he shall have obtained his qualification.

POWERS OF DIRECTORS.

80. The business of the Company shall be managed by the Directors, who may pay all expenses incurred in getting up and registering the Company, and may exercise all such powers of the Company as are not by the statutes or by these presents required to be exercised by the Company in General Meeting, subject nevertheless to any regulations of these presents, to the provisions of the statutes, and to such regulations, being not inconsistent with the aforesaid regulations or provisions, as may be prescribed by Extraordinary Resolution of the Company in General Meeting, but no regulation made by the Company in General Meeting shall invalidate any prior act of the Directors which would have been valid if such regulation had not been made. The general powers given by this Article shall not be limited or restricted by any special authority or power given to the Directors by any other Article.

81. The Directors may establish any local boards or agencies for managing any of the affairs of the Company, either in the United Kingdom or elsewhere, and may appoint any persons to be Members of such local boards, or any managers or agents, and may fix their remuneration, and may delegate to any local board, manager or agent any of the powers, authorities and discretions vested in the Directors, with power to sub-delegate, and may authorise the Members of any local board, or any of them, to fill any vacancies therein, and to act notwithstanding vacancies, and any such appointment or delegation may be made upon such terms and subject to such conditions as the Directors may think fit, and the Directors may remove any person so appointed, and may annul or vary any such delegation, but no person dealing in good faith and without notice of any such annulment or variation shall be affected thereby.

82. The Directors may from time to time and at any time by power of attorney under the seal appoint any company, firm

or person or any fluctuating body of persons whether nominated directly or indirectly by the Directors to be the attorney or attorneys of the Company for such purposes and with such powers, authorities and discretions (not exceeding those vested in or exercisable by the Directors under these presents) and for such period and subject to such conditions as they may think fit, and any such power of attorney may contain such provisions for the protection and convenience of persons dealing with any such attorney as the Directors may think fit and may also authorise any such attorney to sub-delegate all or any of the powers, authorities and discretions vested in him.

83. The Company may exercise the powers conferred by Section 79 of the Act with regard to having an official seal for use abroad, and such powers shall be vested in the Directors.

84. The Company, or the Directors on behalf of the Company, may cause to be kept in any Colony in which the Company transacts business, a branch register or registers of Members resident in such Colony, and the Directors may (subject to the provisions of Sections 34 and 35 of the Act) make and vary such regulations as they may think fit respecting the keeping of any such register.

85. The Directors may exercise all the powers of the Company to borrow and raise money, and to mortgage or charge its undertaking, property and uncalled capital, and to issue debentures, debenture stock, and other securities. Provided that the amount for the time being remaining undischarged of moneys borrowed or raised by the Directors for the purposes of the Company (otherwise than by the issue of share capital), shall not at any time, without the previous sanction of the Company in General Meeting, exceed twice the nominal amount of the issued capital of the Company, but no debt incurred or security given in respect of moneys borrowed or raised in excess of the limit hereby imposed shall be invalid or ineffectual, except in the case of express notice at the time when the debt was incurred or security given that the limit hereby imposed had been exceeded.

86. No Director or intending Director shall be disqualified by his office from contracting with the Company either as vendor, purchaser or otherwise, nor shall any such contract, or any contract or arrangement entered into by or on behalf of the

Company in which any Director is in any way interested, be liable to be avoided, nor shall any Director so contracting or being so interested be liable to account to the Company for any profit realised by any such contract or arrangement by reason of such Director holding that office, or of the fiduciary relation thereby established, but the nature of his interest shall be disclosed by him at the meeting of the Directors, at which the contract or arrangement is determined on, if his interest then exists, or in any other case at the first meeting of the Directors after the acquisition of his interest. Provided, nevertheless, that a Director shall not vote in respect of any contract or arrangement in which he is so interested, and if he shall do so his vote shall not be counted, but this prohibition shall not apply to any arrangement for giving any Director any security or indemnity in respect of money lent by him to or obligations undertaken by him for the benefit of the Company nor to any contract by a Director to subscribe for or underwrite shares or debentures of the Company, and it may at any time be suspended or relaxed to any extent, and either generally or in respect of any particular contract, arrangement or transaction by the Company in General Meeting.

87. All cheques, promissory notes, drafts, bills of exchange, and other negotiable or transferable instruments, and all receipts for moneys paid to the Company, shall be signed, drawn, accepted, endorsed, or otherwise executed, as the case may be, in such manner as the Directors shall from time to time by resolution determine.

MANAGING DIRECTOR.

88. The Directors may from time to time appoint one or more of their body to the office of Managing Director or Manager for such term as they think fit, and a Director so appointed shall not while holding that office be subject to retirement by rotation or taken into account in determining the rotation of retirement of Directors.

89. A Managing Director or Manager shall receive such remuneration (whether by way of salary, commission, or participation in profits, or partly in one way and partly in another) as the Directors may determine.

90. The Directors may entrust to and confer upon a Managing Director or Manager any of the powers exercisable by

them as Directors upon such terms and conditions and with such restrictions as they think fit, and either collaterally with or to the exclusion of their own powers, and may from time to time revoke, withdraw, alter or vary all or any of such powers.

THE SEAL.

91. The seal of the Company shall not be affixed to any instrument except by the authority of a resolution of the Board and save in the case of share certificates shall be so affixed in the presence of at least two Directors and of the Secretary or such other person as the Directors may appoint for the purpose, and those two Directors and Secretary or other person aforesaid shall sign every instrument to which the seal is so affixed in their presence.

ROTATION OF DIRECTORS

92. At the Ordinary Meeting in the year 1923, and at the Ordinary Meeting in every subsequent year, one-third of the Directors for the time being, or if their number is not a multiple of three then the number nearest to one-third, shall retire from office. A Director retiring at a meeting shall retain office until the close or adjournment of the meeting.

93. The Directors to retire in every year shall be those who have been longest in office since their last election, but as between persons who became Directors on the same day those to retire shall (unless they otherwise agree among themselves) be determined by lot. A retiring Director shall be eligible for re-election.

94. The Company at the meeting at which a Director retires in manner aforesaid shall fill up the vacated office by electing a person thereto, and in default the retiring Director shall be deemed to have been re-elected, unless at such meeting it is expressly resolved not to fill up such vacated office with a view to reducing the number of Directors.

95. No person other than a Director retiring at the meeting shall unless recommended by the Directors for election be eligible for the office of a Director at any General Meeting unless not less than three nor more than fourteen clear days before the day appointed for the meeting there shall have been given to the Secretary notice in writing by some Member duly qualified to be present and vote at the meeting for which such notice is given

of his intention to propose such person for election, and also notice in writing signed by the person to be proposed of his willingness to be elected.

96. The Company in General Meeting may from time to time increase or reduce the number of Directors, and may also determine in what rotation such increased or reduced number is to go out of office.

97. The Directors shall have power at any time, and from time to time, to appoint any qualified person to be a Director, either to fill a casual vacancy or as an addition to the existing board, but so that the total number of Directors shall not at any time exceed the maximum number fixed by or in accordance with these presents. Any Director so appointed shall hold office only until the next following Ordinary Meeting, and shall then be eligible for re-election.

98. The Company may by Extraordinary Resolution remove any Director before the expiration of his period of office, and may by an Ordinary Resolution appoint another person in his stead ; the person so appointed shall be subject to retirement at the same time as if he had become a Director on the day on which the Director in whose place he is appointed was last elected a Director.

PROCEEDINGS OF DIRECTORS.

99. The Directors may meet together for the dispatch of business, adjourn and otherwise regulate their meetings as they think fit. Questions arising at any meeting shall be determined by a majority of votes. In case of an equality of votes the Chairman shall have a second or casting vote. A Director may, and the Secretary on the requisition of a Director shall, at any time summon a meeting of the Directors. It shall not be necessary to give notice of a meeting of Directors to any Director for the time being absent from the United Kingdom.

100. The quorum necessary for the transaction of the business of the Directors may be fixed by the Directors, and unless so fixed at any other number shall be three.

101. The continuing Directors may act notwithstanding any vacancy in their body, but if and so long as their number is reduced below the minimum number fixed by or in accordance with these presents, the continuing Directors may act for the

purpose of filling up vacancies in their body or of summoning General Meetings of the Company, but not for any other purpose, and may act for either of the purposes aforesaid whether or not their number is reduced below the number fixed by or in accordance with these presents, as the quorum of Directors.

102. The Directors may elect a Chairman of their meetings and determine the period for which he is to hold office, but if no such Chairman be elected, or if at any meeting the Chairman be not present within five minutes after the time appointed for holding the same, the Directors present may choose one of their number to be Chairman of the Meeting.

103. A resolution in writing, signed by all the Directors for the time being in the United Kingdom, shall, provided they constitute a majority in number of the Directors for the time being, be as effective as a resolution passed at a meeting of the Directors duly convened and held.

104. A meeting of the Directors for the time being, at which a quorum is present, shall be competent to exercise all powers and discretions for the time being exercisable by the Directors.

105. The Directors may delegate any of their powers to Committees consisting of such Member or Members of their body as they think fit. Any Committee so formed shall in the exercise of the powers so delegated conform to any regulations that may be imposed on them by the Directors.

106. A Committee may elect a Chairman of their meetings ; if no such Chairman be elected, or if at any meeting the Chairman be not present within five minutes after the time appointed for holding the same, the Members present may choose one of their number to be Chairman of the meeting.

107. A Committee may meet and adjourn as they think proper. Questions arising at any meeting shall be determined by a majority of votes of the Members present, and in case of an equality of votes the Chairman shall have a second or casting vote.

108. All acts done by any meeting of Directors, or of a Committee of Directors, or by any person acting as a Director, shall, notwithstanding it be afterwards discovered that there was some defect in the appointment of any such Director, or person acting as aforesaid, or that they or any of them were disqualified, or had vacated office, be as valid as if every such person had been

duly appointed, and was qualified and had continued to be a Director.

109. The Directors shall cause minutes to be made in books provided for the purpose—

- (A) Of all appointments of officers made by the Directors.
- (B) Of the names of the Directors present at each meeting of Directors and of any Committee of Directors.
- (C) Of all resolutions and proceedings at all meetings of the Company and of the Directors and of Committees of Directors.

ALTERNATE DIRECTORS.

110. Any Director may at any time appoint any person approved by the Board (such approval not to be unreasonably withheld) to be an alternate Director of the Company, and may at any time remove any alternate Director so appointed by him from office. An alternate Director so appointed shall not be entitled to receive any remuneration from the Company nor be required to hold any qualification.

111. An alternate Director shall (subject to his giving to the Company an address within the United Kingdom at which notices may be served upon him) be entitled to receive notices of all meetings of the Board, and to attend and vote as a Director at any such meeting at which the Director appointing him is not personally present, and generally to perform all the functions of his appointor as a Director in the absence of such appointor.

112. An alternate Director shall *ipso facto* cease to be an alternate Director if his appointor ceases for any reason to be a Director.

113. All appointments and removals of alternate Directors shall be effected by writing under the hand of the Director making or revoking such appointment left at the office.

DIVIDENDS AND RESERVES.

114. The profits of the Company available for and resolved to be distributed by way of dividend shall be applied in the first place in payment of the dividends on shares (if any) having a

preference as to dividend in accordance with their respective rights and priorities, and the surplus profits shall be applicable in payment of dividends on the ordinary shares. The Company in General Meeting may declare dividends accordingly.

115. No dividend shall be payable except out of the profits of the Company (including therein premiums obtained on the issue of shares), or in excess of the amount recommended by the Directors.

116. All dividends shall be declared and paid according to the amounts paid on the shares in respect whereof the dividend is paid, but no amount paid on a share in advance of calls shall, while carrying interest, be treated for the purposes of this article as paid on the share. All dividends shall be apportioned and paid *pro rata* according to the amounts paid or credited as paid on the shares during any portion or portions of the period in respect of which the dividend is paid, but if any share is issued on terms providing that it shall rank for dividend as from a particular date, such share shall rank for dividend accordingly.

117. The Directors may from time to time pay to the Members such interim dividends as appear to the Directors to be justified by the profits of the Company.

118. The Directors may from time to time set aside out of the profits of the Company (including therein premiums obtained on the issue of shares) and carry to reserve or reserves such sums as they think proper, which shall, at the discretion of the Directors, be applicable for meeting contingencies, or for the gradual liquidation of any debt or liability of the Company, or for repairing or maintaining the works, plant and machinery of the Company, or for equalising dividends, or for any other purpose to which the profits of the Company may properly be applied, and pending such application may, at the like discretion, either be employed in the business of the Company or be invested in such investments (other than shares of the Company) as the Directors may from time to time think fit.

119. The Directors may deduct from any dividend payable to any member all sums of money (if any) presently payable by him to the Company on account of calls or otherwise.

120. Notice of any dividend that may have been declared shall be given in manner hereinafter mentioned to the persons

entitled to share therein. No dividend shall bear interest as against the Company.

121. Any dividend may be paid by cheque sent through the post to the registered address of the Member or person entitled thereto, and in case of joint holders to any one of such joint holders. Every such cheque shall be made payable to the order of the person to whom it is sent.

122. If several persons are registered as joint holders of any share, any one of them may give effectual receipts for any dividend or other moneys payable on or in respect of the share.

ACCOUNTS.

123. The Directors shall cause true accounts to be kept:—

(A) Of the sums of money received and expended by the Company and the matters in respect of which such receipt and expenditure takes place; and

(B) Of the assets and liabilities of the Company.

124. The books of account shall be kept at the office, or at such other place as the Directors think fit, and shall always be open to the inspection of the Directors. No Member (other than a Director) shall have any right of inspecting any account or book or document of the Company except as conferred by statute or authorised by the Directors or by the Company in General Meeting.

125. Once at least in every year the Directors shall lay before the Company a proper profit and loss account, made up to a date not more than six months before the meeting, and a balance-sheet containing a general summary of the capital, the assets, and the liabilities of the Company arranged under suitable heads. The Directors shall, in preparing every such balance sheet, have regard to the provisions of the statutes applicable thereto.

126. Every such balance-sheet as aforesaid shall be signed on behalf of the Board by two of the Directors, and shall be accompanied by a report of the Directors as to the state of the Company's affairs and the amount which they recommended to be

paid by way of dividend to the Members, and the amount (if any) which they have carried or proposed to carry to reserve. It shall also have attached to it, or there shall be inserted at the foot thereof a reference to, the Auditors' report.

127. A printed copy of the profit and loss account, balance-sheet, and Directors' report shall, seven days previously to the meeting, be delivered or sent by post to the registered address of every Member, and two copies of each of these documents shall at the same time be forwarded to the Secretary of the Share and Loan Department, Stock Exchange, London.

AUDIT.

128. The Company shall at the first Ordinary Meeting, and at each subsequent Ordinary Meeting, appoint an Auditor or Auditors to hold office until the next ensuing Ordinary Meeting.

129. A Director or officer of the Company shall not be capable of being appointed Auditor of the Company.

130. The first Auditors of the Company may be appointed by the Directors before the Statutory Meeting, and if so appointed shall hold office until the first Ordinary Meeting, unless previously removed by resolution of the shareholders in General Meeting, in which case the shareholders at such meeting may appoint Auditors.

131. The Directors may fill any casual vacancy in the office of Auditor, but while any such vacancy continues the surviving or continuing Auditor or Auditors (if any) may act.

132. The remuneration of the Auditors shall be fixed by the Company in General Meeting, except that the remuneration of any Auditors appointed before the Statutory Meeting or to fill any casual vacancy may be fixed by the Directors.

133. A person other than a retiring Auditor shall not be capable of being appointed an Auditor at an Ordinary Meeting unless notice of an intention to nominate that person to the office of Auditor has been given by a Member to the Company not less than 14 days before the meeting, and the Company shall send a copy of any such notice to the retiring Auditor and shall give notice thereof to the Members not less than 7 days before the

meeting, provided that if after a notice of the intention to nominate an Auditor has been so given an Ordinary Meeting is called for a date 14 days or less after that notice has been given, the notice though not given within the time required by this provision shall be deemed to have been properly given for the purposes thereof and the notice to be given by the Company may, instead of being given within the time required by this provision, be given at the same time as the notice of the meeting.

134. The Auditors' report to the shareholders made pursuant to the statutory provisions as to audit for the time being in force shall be read before the Company in General Meeting and shall be open to inspection by any shareholder, who shall be entitled to be furnished with a copy of the balance sheet and Auditors' report at such charge not exceeding sixpence for every hundred words as the Directors determine.

NOTICES.

135. Any notice or document may be served by the Company on any Member either personally or by sending it through the post in a prepaid letter addressed to such Member at his registered address as appearing in the Register of Members. In the case of joint holders of a share all notices shall be given to that one of the joint holders whose name stands first in the Register of Members, and notice so given shall be sufficient notice to all the joint holders.

136. Any Member described in the Register of Members by an address not within the United Kingdom who shall from time to time give to the Company an address within the United Kingdom at which notices may be served upon him shall be entitled to have notices served upon him at such address, but save as aforesaid no Member other than a registered Member described in the register of Members by an address within the United Kingdom shall be entitled to receive any notice from the Company.

137. Any notice or other document, if served by post, shall be deemed to have been served at the time when the letter containing the same is posted, and in proving such service it shall be sufficient to prove that the letter containing the notice or document was properly addressed, stamped and posted.

138. Any notice or document delivered or sent by post to or left at the registered address of any Member in pursuance of these presents, shall, notwithstanding that such Member be then dead or bankrupt, and whether or not the Company have notice of his death or bankruptcy, be deemed to have been duly served in respect of any share registered in the name of such Member as sole or joint holder, unless his name shall at the time of the service of the notice or document have been removed from the register as the holder of the share, and such service shall for all purposes be deemed a sufficient service of such notice or document on all persons interested (whether jointly with or as claiming through or under him) in the share.

WINDING UP.

139. If the Company shall be wound up the Liquidator may, with the sanction of an extraordinary Resolution of the contributories, divide amongst the contributories in specie the whole or any part of the assets of the Company, and may with the like sanction vest the whole or any part of such assets in trustees upon such trusts for the benefit of the contributories as the Liquidator with the like sanction shall think fit.

INDEMNITY.

140. The Directors, Managing Directors, Agents, Auditors, Secretary and other officers for the time being of the Company and the Trustees (if any) for the time being acting in relation to any of the affairs of the Company and every of them and every of their heirs, executors, and administrators shall be indemnified and secured harmless out of the assets and profits of the Company from and against all actions, costs, charges, losses, damages and expenses which they or any of them, their or any of their heirs, executors, or administrators shall or may incur or sustain by or by reason of any act done, concurred in, or omitted in or about the execution of their duty or supposed duty in their respective offices or trusts, except such (if any) as they shall incur or sustain through or by their own wilful neglect or default respectively, and none of them shall be answerable for the acts, receipts, neglects or defaults of the other or others of them, or for joining in any receipt for the sake of conformity, or for any bankers or other persons with whom any moneys or effects belonging to the

Company shall or may be lodged or deposited for safe custody, or for the insufficiency or deficiency of any security upon which any moneys of or belonging to the Company shall be placed out or invested, or for any other loss, misfortune or damage which may happen in the execution of their respective offices or trusts or in relation thereto, except the same shall happen by or through their own wilful neglect or default respectively.

NAMES, ADDRESSES AND DESCRIPTIONS OF SUBSCRIBERS.

Dated the day of 1922.

Witness to the above Signatures—

Indenture of Agreement made the

day of 1922 BETWEEN

incorporated under the laws of
(hereinafter called "the
National Company ") of the first part
incorporated under the laws of
(hereinafter referred to as "the
National Company ") of the second part
incorporated under the laws of
(hereinafter referred to as "the
National Company ") of the third part
incorporated under the laws of
(hereinafter referred to as "the
National Company ") of the fourth part
and THE CENTRAL INTERNATIONAL CORPORATION
LIMITED incorporated under the Companies Acts of the
United Kingdom of Great Britain and Ireland (hereinafter
called "the Central Company ") of the fifth part WHEREAS
the above-mentioned parties of the first parts
(hereinafter collectively referred to as "the National
Companies ") have applied to be admitted as members of the
Central Company as subscribers for Shares of £1
each in its Capital as follows viz:—

The	National Company	Shares
The	National Company	Shares
The	National Company	Shares
The	National Company	Shares

(being approximately 10 per cent. of the original issued share
capital of such National Companies respectively) on the terms
of the Central Company's Memorandum and Articles of
Association AND WHEREAS it is one of the fundamental
conditions upon which the Central Company has been formed
that the shares of the Central Company (other than two
shares to be subscribed by the incorporators) shall be issued
to and held only by Corporations formed for the purpose and
approved by the Central Company and that no shares shall be
issued or transferred to any Corporation unless on or before
the issue or transfer thereof such Corporation enters into an
agreement with the Central Company and the other share-
holders in the form of these presents or covenants with the

Central Company and the other shareholders thereof to be bound by the terms of such Agreement as if it had been a party thereto.

NOW THESE PRESENTS WITNESSETH as follows :—

1. THE expression the shareholder means and includes the National Companies and such other Corporations as may be admitted to membership of the Central Company from time to time.

2. THE Board of Directors of the Central Company will from time to time decide upon what businesses operations or transactions are to be undertaken and carried out by the Central Company or by all or any of the Shareholders either alone or in conjunction with the Central Company such businesses operations or transactions being hereafter referred to as "approved business."

3. IT IS HEREBY DECLARED by the parties hereto that as far as reasonably possible having regard to all the circumstances of each case each Shareholder will be offered an interest or participation in all approved business which the Board of the Central Company determine to divide among the Shareholders proportionate to such Shareholders' shareholding in the Central Company as compared with the total issued share capital thereof at the time when such business was approved (hereafter referred to as a "pro rata participation").

4. SUBJECT to the provisions of Clause 3 hereof the Board of the Central Corporation will decide what interest or participation in any approved business shall be offered to all or any of the Shareholders and shall determine at the same time the proportion of such interest or participation to be offered to each Shareholder.

5. IN allocating approved business among the Shareholders the Board of the Central Company shall as equitably as may be apportion such business so that in the aggregate such business is fairly and reasonably apportioned among the Shareholders in their *pro rata* proportions. Any differences in connection with one business shall be equitably adjusted by means of other business or businesses provided however that there shall be no adjustments in respect of non-participation in any business where such non-participation arises under

Clause 8 hereof. The decision of the Board of the Central Company as to the allocation of business shall be final and binding.

6. In carrying out approved business which the Central Company may determine to carry out direct the Central Company will place orders for materials and supplies required to be purchased in countries where a National Corporation is registered through such National Corporation provided such National Corporation is willing to deal with such orders on reasonable terms.

7. If any Shareholder which has undertaken engagements or commitments to the extent of the whole of its capital and other financial resources is willing to accept a participation in any new approved business offered to it but is unable to do so for financial reasons such Shareholder shall be entitled to ask the Central Company for financial assistance to enable it to accept and carry out the said participation so offered and the Central Company will use its best endeavours to provide such financial assistance but the Central Company shall not be bound to give such financial assistance.

8. WHERE the representative of a Shareholder on the Board of the Central Company has voted against a resolution for the undertaking of any business or against a resolution for the offering of such business for division among the Shareholders such Shareholder shall not be entitled to claim and shall not be bound to accept a participation in such business but each Shareholder whose representative on the Board has voted in favour of any such resolution as aforesaid shall be bound to accept up to but not exceeding twice its *pro rata* participation in such business as defined in Clause 3.

9. THE Board of the Central Company may with regard to any approved business appoint some one or more of its Shareholders or any other company firm or person as Managing Agents to manage and conduct such business on behalf of all the Shareholders interested therein and may lay down rules for the guidance of such Managing Agents and may determine what (if any) remuneration they are to receive for their services as such in addition to their participation (if any) in such business.

10. EACH Shareholder accepting a participation in any approved business shall be bound to provide his rateable proportion of the finance required to carry such business through and shall be entitled to receive and shall be bound to bear his rateable proportion of any profit or loss resulting therefrom such rateable proportions being in each case based upon the participation taken by each such Shareholder.

11. THE Director or Directors representing any Shareholder on the Board of the Central Company shall be fully empowered by such Shareholder to act on behalf of such Shareholder and to accept any participation in any approved business either for the full *pro rata* share or more or less than the *pro rata* share of such Shareholder and to consent to act as Managing Agent in respect of any business and generally to act for such Shareholder.

12. THE Central Company will be entitled to reserve for itself such remuneration (whether by way of a fixed sum or a percentage or a commission or otherwise) in connection with any approved business as the Board of the Central Company may fix and such remuneration shall be treated as an expense of conducting such business.

13. EXCEPT on questions requiring a special vote resolutions at Board Meetings of the Central Company will be passed by a simple majority of the votes of those Directors present in person or by alternate or by proxy and voting on such resolutions. The expression "a special vote" shall have the meaning assigned thereto by the Articles of Association of the Central Company.

14. THE National Companies in consideration of the Central Company admitting them to membership and allotting to them respectively shares in the Central Company representing approximately 10 per cent. of the present issued share capitals of such National Companies respectively hereby covenant and agree with the Central Company and with each other :—

- (A) That so long as any National Company continues to be a Shareholder in the Central Company such National Company will not either alone or jointly with or as Manager or Agent for others or another directly or indirectly carry on undertake enter upon or carry out or be concerned engaged or otherwise interested in any business undertaking

transaction or operation whatsoever whether mercantile commercial financial (except as hereafter provided) manufacturing trading or of any other description other than and except only such business operations or transactions as shall be approved by the Board of the Central Company as above referred to.

- (B) That such National Company will in co-operation with the other Shareholders in the Central Company duly accept the participation allocated to it by the Board of the Central Company in any approved business which it is bound to accept under the foregoing provisions and that it will duly carry out all obligations undertaken on its behalf by any Director or Directors representing it on the Board of the Central Company and observe and conform to all rules and regulations lawfully made by the Board of the Central Company pursuant to this Agreement.

15. (A) IN consideration of the foregoing covenants and agreements by the National Companies the Central Company hereby covenants and agrees with each of the National Companies that it will (if and so far as it has not already done so) forthwith allot and issue to such National Company the shares in the capital of the Central Company specified in the first recital hereto on terms that such shares are to be paid up as to five shillings per share on allotment and as to the balance as and when called up in accordance with the Central Company's Articles of Association.

(B) That the Central Company will not without a special vote of the Board of the Central Company increase its share capital.

16. EACH National Company shall make its own financial arrangements on such terms as it thinks fit and shall be responsible to pay all its own administration and general expenses.

17. THE parties hereto respectively agree to be bound by the terms of the arbitration clause contained in the Articles of Association of the Central Company.

AND

THE CENTRAL INTERNATIONAL CORPORATION,
LIMITED.

Agreement.

LINKLATERS & PAINES,
2, Bond Court,

PRELIMINARY MEETINGS
FOR THE
GENOA CONFERENCE.

Experts' Report.

The economic and financial experts of the powers responsible for the summoning of the Conference at their meeting for the exchange of views, after examining together a number of suggestions and schemes, have prepared draft resolutions embodying the ideas and proposals which met with general acceptance.

The drafts are set forth in the pages of this report arranged under the following headings:-

PART I

RUSSIA.

Section I. Preamble.

Section II. Conditions under which foreign enterprise and capital can be enlisted for the restoration of Russia.

Chapter I. Liquidation of past obligations.

Chapter II. Provisions for the future.

Section III. Measures by which the speedy recovery of Russia would be facilitated.

PART II

Restoration of Europe.

Section I. Financial provisions.

Section II. Economic provisions.

Section III. Transport provisions.

PART I.

RECONSTRUCTION OF RUSSIA.

Section I.

Preamble.

The question of Russia has been approached both from the point of view of what is equitable and from the point of view of what is necessary for the economic restoration of Russia.

The economic restoration of Russia is largely dependent upon her enlisting the support of foreign enterprise and capital. Without a considerable transformation of the prevailing conditions which affect particularly trade and industry foreigners will be reluctant either to return to their former undertakings or to start fresh undertakings. So long as precarious and unstable conditions continue, only speculators will be willing to venture on trade, and there is a fear that the chief result would be not the reconstruction but the exploitation of Russia and the Russian people, which it is the purpose of the Governments represented at Genoa to avoid.

Effective co-operation between Russia and other European countries will be difficult to realise unless a determination is shown in Russia to set to work wholeheartedly to restore the economic life of Russia. The foundation is agriculture, and here no less than elsewhere security both in respect of holdings and of the disposal of crops is an essential pre-requisite of revival. Once this security is realised, there is no doubt that foreign help will be forthcoming in the shape of agricultural implements and loans.

In the industrial sphere it is even more apparent that revival cannot be expected in the absence of foreign assistance and capital, which will only become available when the goodwill and co-operation of the Russian Government can be relied upon. Active measures will be necessary for the protection and liberty of action of employers, their employees, and for the protection of their industrial operations and their capital, combined with the right to hold the movable and immovable property necessary for the conduct of business and with the liberty to import what is requisite and to dispose of the products of their undertakings. Much the same may be said of transport, in which case foreign firms will have to be relied upon for the furnishing of material and plant, including fresh rolling stock, and the setting up of repair shops; and it needs no emphasis that the reorganisation of transport is essential to the industrial and agricultural recovery of Russia.

The question of the instrument by which effect could be given to these conditions and to contingent provisions has not been considered, nor the relation of any such instrument to existing trade agreements with Russia. These with certain other questions have been reserved as political. Indications are given in the drafts which follow of some of the points reserved.

Section II.

Conditions under which foreign enterprise and capital can be enlisted for the restoration of Russia.

The Section is divided into two chapters:-

Chapter I. Liquidation of past obligations.

Chapter II. Provisions for the future.

Chapter I.

Note. It will be understood that the proposals drafted relating to claims (Articles 1 - 7 and the Annexes) are without prejudice to any advice which Governments may think fit to obtain from the parties interested in the settlement whether as being entitled under contracts with former Russian Governments or as having suffered loss since the events of 1917.

Article 1. The Russian Soviet Government shall accept the financial obligations of its predecessors, viz. the Imperial Russian Government and the Russian Provisional Government, towards foreign Powers and their nationals.

Note. The question whether the title "Russian Soviet Government" applies only to the Soviet Government at Moscow or should include all other Soviet Governments in Russia is a political one which it is for the Governments to decide. Similarly no precise definition is attributed to the words "Russia" and "Russian".

The same applies to the question whether, and, if so, to what extent, new States which have been recognised as such and which were formerly part of Russia, as well as States which have acquired part of the former territory of Russia, should undertake part of the obligations dealt with in these provisions.

Article 2. The Russian Soviet Government shall recognise the financial engagements entered into before this date by all authorities in Russia, provincial or local or by public utility undertakings in Russia, with other Powers or their nationals, and shall guarantee the fulfilment thereof.

Article 3. The Russian Soviet Government shall undertake liability for all actual and direct losses, whether arising out of breach of contract or otherwise, suffered by nationals of other Powers, due to the action or negligence of the Soviet Government or its predecessors or of any provincial or local authorities, or of an agent of any such government or authority.

Article 4. The liabilities under the preceding Articles will be determined by a "Russian Debt Commission" and by "Mixed Arbitral Tribunals" to be set up. A scheme for the establishment of these bodies is contained in Annexes I and II. They shall determine the amount and method of payment to be made whether by way of compensation or otherwise as laid down in Annexes I - III.

Article 5. All inter-governmental debts, liabilities and obligations of every sort which arose between the Russian Government on the one hand and a foreign Government on the other hand after August 1, 1914, shall be considered to be completely discharged by the payment of the net sums laid down in a schedule to be agreed.

Article 6. Without prejudice to the provision of Article 116 of the Treaty of Versailles, the net sums fixed under Article 5 shall take into account all claims by Russian nationals for loss or damage arising directly from hostile military or naval operations, or from other operations of a similar nature and any other claims specified at the time of the adoption of the schedule referred to in Article 5.

Article 7. Balances standing to the credit of a former Russian Government in any bank situate in a country the Government of which made advances to a former Russian Government between August 1, 1914, and November 7, 1917, shall be transferred to the Government which made the advances and the liability of the Russian Soviet Government in respect of the advances shall be pro tanto reduced.

The transfer provided for in the preceding paragraph shall not prejudice the rights of third parties.

ANNEXES.

Note. With regard to the security on which the Russian debt is in future to be charged, two solutions have been put forward by different delegations. They are shown, where necessary, in parallel columns in Annexes I to III. Agreement has not been arrived at in favour of either of these two solutions or of any of the numerous intermediate solutions which might be devised.

To add to Article 7.

This article shall also apply in the case of any country, the Government of which has assumed responsibility for any Russian Government loan floated in that country in the period named.-

ANNEX I.
RUSSIAN DEBT COMMISSION.

1. A Russian Debt Commission shall be established consisting of members nominated by the Russian Government and members nominated by the other Powers, together with an independent Chairman chosen from outside by agreement among the other members, or, in default, named by the League of Nations, either through the Council or through the Permanent Court of International Justice.
2. The Commission will have the following functions:
 - (a) To constitute and prescribe the procedure of the Mixed Arbitral Tribunals, to be set up in accordance with the provisions of Annex II, and to issue such instructions as may be necessary in order to secure uniformity in their proceedings.
 - (b) To issue new Russian Bonds in accordance with the provisions of Annex II to persons entitled thereto, under awards of the Mixed Arbitral Tribunals, to holders of existing State bonds and other bonds and stock for which the new Russian Bonds are to be given in exchange, and to persons entitled thereto in respect of funded interest and repayment of capital. The rate of interest adopted for the purpose of calculating the present value of claims shall be the same as that prescribed under Annex III, paragraph (2).
 - (c) To determine all questions arising out of the

issue, rates of interest and terms of redemption of the new Russian bonds referred to in paragraph (b).

(d) nil.

(d). To determine, if necessary among the revenues of Russia, those which should be specially assigned to the service of the debt, for example an allocation of certain taxes or of royalties or dues upon undertakings in Russia.

Should occasion arise to control, if the Commission thinks fit, the collection of all or part of these assigned revenues, and to deal with the proceeds.

These assignments and this control (if imposed) should cease as soon as the Russian debt service appears adequately assured by the inclusion of the appropriate sums in the Russian budget.

ANNEX II.

DETERMINATION OF CLAIMS.

1. The liabilities of the Russian Government under Articles 1 to 3 shall be assessed in accordance with the following principles:⁴
2. The responsibility for claims provided for in Article 3 shall be determined by the Mixed Arbitral Tribunals in accordance with the provisions of this Report and in default with the general principles of International Law.
3. Russian Government bonds in foreign currencies will be revived with all the conditions of the contract but interest and repayment of capital due from the date when payments ceased until [November 1, 1927] will be funded.
and the bonds will be secured in the same way as the new Russian Bonds in accordance with Annex III 5.
4. Provincial, Municipal, Railway or Public Utility Bonds in foreign currencies will be revived with all the conditions of the contract but interest and repayment of capital due from the date when payment ceased until (November 1, 1927,) will be funded. All such bonds shall be guaranteed by the Soviet Government whether guaranteed by any former Government of Russia or not.
and the bonds will be secured in the same way as the new Russian Bonds in accordance with Annex III, 5.

5. Russian Government Rouble Loans or Provincial, Municipal, Railway or Public Utility Bonds issued in roubles will if proved to have been continuously in foreign ownership since the date of repudiation by the Russian Government be exchangeable into new Russian Bonds.

The present value of the obligations in respect of capital and interest embodied in the original bond, in so far as they have not been fulfilled, shall first be calculated in roubles, and then converted into the foreign currency at the rate determined in paragraph 16. The present value of the new bond should be equal to the present value in the foreign currency of the original bond, interest being calculated at the rate to be prescribed under the provisions of Annex III, 2.

6. New Russian Bonds will be issued in respect of funded interest and capital due for repayment between the date when payment ceased and (November 1, 1927).

7. Claims not provided for under Paragraphs 3 to 5 of this Annex in respect of injury to property, rights and interests shall, subject to any agreements between the Soviet Government and each of the other Powers as may be concerned be dealt with on the following principles.

Claimants will be entitled to demand the return of the property, rights and interests.

If the property, rights or interests are still in existence and capable of identification, they will be returned and compensation for their use or for injury thereto during the dispossession will in default of agreement between the Soviet Government and the private party concerned be settled by the Mixed Arbitral Tribunals. Agreements for concessions in relation to public utility undertakings shall be modified so as to be brought into harmony with present economic conditions, for example as regards charges, duration of concessions and conditions of operation.

If the property, rights and interests are not still in existence or cannot be identified, or the claimant does not desire their return, the claim may by agreement between the Soviet Government and the private party concerned be satisfied either by the grant of similar property rights or interests coupled with compensation to be agreed or failing agreement to be fixed by the Mixed Arbitral Tribunals, or by any other agreed settlement.

In all other cases claimants shall be entitled to compensation on a monetary basis to be fixed by the Mixed Arbitral Tribunals.

Note. In the opinion of the experts it may be necessary to add some condition in the case of claims for destruction, loss or damage of property, rights or interests which were acquired subsequent to the events of 1917. It might be desirable to give the Mixed Arbitral Tribunals a discretion, in some cases at any rate, to take the matter into account when they are satisfied that the price at which the property was acquired renders payment of compensation on the basis of the full value of the property inequitable.

8. . The tribunal in assessing compensation shall take account primarily of the actual value in roubles of the property, rights or interests at November 1, 1917, but may make allowance for any temporary and special circumstances which may at that time have materially affected the value.
9. Where a debtor is entitled, or if he had been a national of one of the other Powers, would have been entitled, to claim compensation under Chapter I, the creditor may (whether the debtor has claimed compensation or not) make a direct claim against the Soviet Government in respect of the loss arising from his unpaid debt instead of against the debtor.
- Any property restored in accordance with paragraph (7) shall be subject to any charges or obligations attaching thereto upon November 1, 1917, without prejudice to the rights of creditors to make a direct claim against the Soviet Government.
10. Any liability met by the Soviet Government under the preceding paragraph will be set off against the compensation payable to the debtor; but if the Soviet Government has already paid the compensation to the debtor, it may recover from the debtor the amount paid to the creditor but the liability of the former may be discharged in new Russian Bonds.
11. Russian financial, industrial and commercial companies which on November 1, 1917, were controlled by nationals of other Powers or in which at the same date such nationals possessed a substantial interest shall, if the majority of the foreign interests (shareholders and bondholders) so desire, be covered by the term "Nationals of other Powers" wherever used in Chapter I and the Annexes.

12. In cases in which a claim is not made under the preceding paragraph or other provision of this Chapter or its annexes any national of the other Powers who is a shareholder in any Russian Company whatever may claim compensation in accordance with article 3 for the injury done to his holding in the company.
13. Claims, excluding those referred to in paragraphs 3-5 above, but including claims for monetary compensation arising from death or personal injury, shall be referred by the Commission for adjudication and assessment on a monetary basis as promptly as possible by Mixed Arbitral Tribunals.
14. All claims shall be registered with the Russian Debt Commission, and options shall be exercised within one year from the establishment of the Commission or such longer period as may be permitted by the Commission for particular cases or classes of cases. The Russian Soviet Government shall not be liable in respect of any claim not registered within the prescribed period.
15. No claim shall be recognised in respect of rights which had ceased legally to exist before March, 1917.
16. The rates of conversion between paper roubles and the various foreign currencies will be fixed by the Russian Debt Commission at the time of issuing the new Russian Bonds. For this purpose the Commission will first ascertain the average gold value of the rouble in October, 1917, and will then calculate the equivalent of that gold value in each of the foreign currencies at the time of the issue of the bonds.
17. Interest at the rate prescribed under paragraph (2) of Annex III shall accrue as from November 1, 1917 on all amounts awarded by the tribunal.

ANNEX III.

NEW RUSSIAN BONDS.

1. All accepted claims for monetary compensation against the Russian Soviet Government will be met by the issue of new Russian Bonds up to the amounts fixed by the Mixed Arbitral Tribunals. The terms of issue of the bonds, together with all questions arising out of the conversion of existing bonds, and out of the new issues, will be determined by the Russian Debt Commission.
2. The Bonds shall carry a rate of interest to be determined by the Russian Debt Commission. They shall be free both as to interest and capital from all Russian taxation both present and future and shall be subject to redemption by annual drawings.
3. In general the bonds will be expressed in the currency of the holder's country. Nevertheless the Debt Commission may allow him, if he so requests, to take bonds in the currencies of certain specified countries.
4. In order to determine the value of the bonds for any payment under these provisions the bonds shall be discounted at the rate of interest prescribed under paragraph 2 above.
5. The bonds shall be a charge on the whole assets of the Russian State.
- or (5) The bonds shall be a charge, primarily upon assets selected by the Russian Debt Commission, in accordance with Annex I, 2(d) and secondarily on the whole assets of the Russian State.
6. Interest shall be funded and the Russian Soviet Government shall not be required to redeem any bonds until (November 1st, 1927.) It shall be within the competence of the Debt Commission to issue bonds of a special series in respect of funded interest. Any such Interest Bonds shall carry the same rights and be in all respects the same as the new Russian

bonds, except for a preferential right for redemption during the moratorium period if any redemption be then possible.

7. The Russian Soviet Government shall be permitted to make drawings, if it desires to do so, before the expiration of the moratorium period, giving priority to the Interest Bonds.

7. The Russian Debt Commission will decide whether the yield of the assigned revenues permits of drawings before the expiration of the moratorium period; in such drawings priority shall be given to the Interest Bonds.

CHAPTER II.

A. ADMINISTRATION OF JUSTICE.

Article 8. The Russian Soviet Government shall undertake to provide for the good administration of justice in accordance with the following principles:-

- (1) Independence of the judicial authority vis-a-vis the executive authority.
- (2) Administration of justice in public by professional judges who must be independent and irremovable .
- (3) The law to be applied must be known and published; it shall be equal between persons and have no retro-active effect. It shall afford adequate guarantees to foreigners against arbitrary arrests and domiciliary visits.
- (4) Foreigners shall have free access to the courts and no disability shall attach to foreigners as foreigners; they shall be entitled to be represented before the courts by counsel of their own choosing.
- (5) The rules of procedure to be observed in the courts shall be such as to facilitate the thorough and rapid administration of justice. The right of appeal and of new trial shall be assured.
- (6) The parties to a contract shall have the right to provide that a foreign law shall apply; the courts must in such case apply that law.
- (7) Just procedure shall be established in order to ensure the execution of valid foreign judgments, including judgments of foreign courts based on a provision in a commercial contract conferring jurisdiction on that court.
- (8) The validity of a clause in contracts for the arbitration of any or all disputes arising therein shall be recognised and shall be made for enforcing arbitration awards, including those given in a foreign country.

B. CONDITIONS OF RESIDENCE AND TRADE IN RUSSIA.

Article 9. The Russian Soviet Government shall undertake to permit the entry and egress of foreigners into and from its territory in accordance with the usual practice of States.

Article 10. Foreigners while sojourning in Russia shall be exempted from all kinds of compulsory services and from any contributions whatever imposed as an equivalent for personal service; they shall not be subject to any forced loans.

Article 11. Foreigners shall be at liberty to communicate freely by post, telegraph or wireless telegraph, and to use telegraph codes under the conditions and subject to the regulations laid down in the International Telegraph Conventions.

Article 12. Foreigners shall enjoy all protection, rights and facilities which are necessary to enable them to carry on any permitted trade, profession or occupation in accordance with the usual practice of States; they shall not be subject to any discriminating legislation or restrictions on account of their nationality. They shall not be compelled to join any local organisation.

Article 13. No discrimination against the workmen employed in undertakings belonging to foreigners or directed by foreigners shall be exercised in respect of military service, or forced labour; nor shall any taxation be levied in lieu thereof.

Article 14. Foreigners shall have adequate facilities for travelling on Russian railways, roads and waterways, and for the carriage of their goods and merchandise. These facilities shall not be less than those accorded to Russian Government enterprises or Russian nationals and shall be applied without discrimination.

Article 15. Requisitions shall not be imposed save in exceptional circumstances and subject to adequate compensation payable at the time.

Article 16. Foreign companies and associations duly constituted shall be allowed to carry on any business open to foreigners in Russia, and for this purpose shall have the same rights as private individuals, including that of appearing before the tribunals.

Article 17. Foreign firms or individuals, and also foreign companies and associations, carrying on any permitted trade, profession or occupation in Russia shall be subject to no higher taxation than is borne by Russian nationals.

The system of taxation shall not in practice impose on branches of foreign companies carrying on permitted trades, professions and occupations in Russia any greater burden of taxation than on similar businesses carried on there by Russian companies.

Article 18. The Russian Soviet Government shall be invited to become a party to the International Conventions for the protection of industrial, literary and artistic property.

C. TREATIES AND CONVENTIONS.

Note: All questions concerning political treaties and conventions are reserved.

Article 19. The multilateral conventions and agreements of an economic, technical or legal character to which the former Russian Governments were parties shall be regarded as still binding on Russia.

Article 20. Contributions owing by Russia in respect of the upkeep of any central bureau or office established by any treaty or convention referred to in Article 19 shall be paid. All other claims by or against Russia arising out of the non-fulfilment of the provisions of such treaties or conventions shall be waived.

Article 21. Subject to the provisions contained in Chapter I any bilateral treaties, conventions or agreements of an economic, technical or legal character between Russia and a foreign Power not already denounced shall not be regarded as having lost their force, but their continuance shall be dealt with independently between Russia and the Power concerned.

Section III.

Measures by which the Immediate restoration of Russia would be facilitated.

The re-starting at the earliest moment of undertakings of all kinds, which belonged to foreigners before the ~~events~~ ^{events} ~~events~~ of 1917 and the establishment of fresh undertakings would be of the greatest assistance in bringing about the speedy reconstruction of Russia.

This being so, in the present situation the speedy recovery of Russia would be facilitated by the following:-

Article 22.

Foreigners, who enter Russia to practice their profession, trade, industry or occupation shall be free to import into Russia such food, apparel and tools as are necessary for their personal use, and these shall not be liable to any kind of requisition.

They may, under the same conditions, import food and apparel for the exclusive use of their staffs or of the workmen whom they employ, whether Russian or foreign. The same shall apply especially to medicines, surgical dressings, etc. which they may need for themselves and for their staff.

Article 23.

The visa of passports by the competent Russian authorities shall confer on holders complete protection by the Russian authorities and the free exercise of their industry, trade, occupation or profession.

Article 24.

No domiciliary search may be made in the residence or establishment of a foreigner settled

in Russia, nor may his arrest be carried out without the assistance or consent of his Consul.

In the case of an appearance before a Russian Court on a criminal charge, judgment can only be carried out with the consent of the Consul concerned.

The only punishment that may be inflicted as a result of a prosecution on political grounds is expulsion, subject to the above condition.

Article 25. Undertakings belonging to foreigners or directed by them shall be worked under conditions of freedom, including freedom of engagement or discharge of workmen subject only to the application of laws of hygiene and to conditions of labour in accordance with the general practice of other countries.

In case of need, wages shall be fixed by committees representing employers and employed.

Article 26. The acquisition in Russia and abroad of all products and raw material necessary for the restoration of industry and their transport shall be specially facilitated by the Russian Government.

Article 27. Duties, taxes, and other charges on the industry, trade or occupations of foreigners settled in Russia shall not be such as to prevent a reasonable return on invested capital.

Article 28. Free zones shall be created in a certain number of ports.

PART II.

RESTORATION OF EUROPE.

The drafting of a Convention has not been attempted, but the resolutions are in such a form that their substance could, if it were thought desirable, be embodied in a Convention.

The resolutions are arranged in three groups, viz:-

Section I	Financial.
Section II	Economic.
Section III	Transport.

Section I

FINANCIAL SECTION

Chapter I.

CURRENCY

Article 29. An essential requisite for the economic reconstruction of Europe is the achievement by each country of stability in the value of its currency. No country can gain control of its own currency so long as there is a deficiency in the annual budget which is met by the creation of paper money or bank credits. It is for every country to overcome such a deficiency by its own independent efforts; only then will its way be open to currency reform.

Article 30. Measures of currency reform will be facilitated if the practice of continuous co-operation among central banks can be developed. A permanent association [or entente] for the co-operation of central banks, not necessarily confined to Europe, would provide opportunities of co-ordinating credit policy, without hampering the freedom of the several banks. [It is suggested that an early meeting of representatives of central banks should be held with a view to considering how best to give effect to this recommendation.]

Article 31. It is desirable that all European currencies should be based upon a common standard.

Article 32. Gold is the only common standard which all European countries could at present agree to adopt.

Article 33. In a number of countries it will not be possible for some years to restore an effective gold standard; but it is in the general interest that European Governments should declare now that this is their ultimate object, and should agree on the programme by way of which they intend to achieve it.

Article 34. In each country the first step towards re-establishing a gold standard will be the balancing of the annual expenditure of the State without the creation of fresh credit unrepresented by new assets.

Article 35. The next step will be to determine and fix the gold value of the monetary unit. [This step can only be taken in each country when the economic circumstances permit; for the country will then have to decide the vital question, whether to adopt the old gold parity or a new parity approximating to the exchange value of the monetary unit at the time.]

Article 36. These steps might by themselves suffice to establish a gold standard, but its successful maintenance would be materially promoted, not only by the proposed association [or entente] of central banks, but by an international [convention to be adopted at a suitable time. The purpose of the convention would be to centralise and co-ordinate the demand for gold, and so to avoid those wide fluctuations in the purchasing power of gold, (which might otherwise result from the simultaneous and competitive efforts of a number of countries to secure metallic reserves.) It is suggested that the convention should embody some means of economising the use of gold by maintaining reserves in the form of foreign balances, such, for example, as the gold exchange standard, or an international clearing system.]

Chapter II

CREDITS.

Article 37. Whilst private credit will undoubtedly again become available as soon as currencies are stabilised and confidence is restored, it is recognised that under existing conditions special machinery is necessary for facilitating the immediate co-operation of the economically stronger countries for reconstruction purposes. The negotiations now proceeding for the establishment of an International Corporation are accordingly to be welcomed.

Article 38. It is essential for countries in need of credits to take steps at once to make their assets available to serve as security for the assistance they require whether through the proposed International Corporation or through other channels; for this purpose they should enter into consultation at the earliest possible moment with the Corporation when established or with other agencies for the purpose of securing such co-operation.

Chapter III.

EXCHANGES.

Article 39. One of the chief obstacles in the way of the restoration of trade is the collapsed condition and instability of many of the European exchanges, and this is mainly due to the continual depreciation of currency, the failure of production for export and the lack of trade facilities.

The artificial control of operations in exchange, whether by requiring a licence for transactions in exchange, or by limiting the prices at which transactions may be effected, or by preventing free dealings in forward exchange, are futile and mischievous.

It is therefore recommended that all regulations of the kind indicated attempting to limit fluctuations in exchange by means of artificial control of exchange operations should be abolished at the earliest possible date.

Article 40. Within twelve months after substantial progress has been made in the restoration of a country's exchanges any special restrictions imposed on imports from that country on the ground of depreciated exchange should be removed.

NOTE: Some of the experts desired to add that the prohibition of transactions for any specified purposes was equally to be condemned, but others were unable to accept this without the qualification that it was subject to any regulations which may be adopted solely for the purpose of preventing the export of capital.

*Nothing large view
here!*

Section II

ECONOMIC SECTION.

Chapter I.

Custom Tariffs and Restrictions.

Article 41. In view of the agreement relative to restrictions and prohibitions signed by the representatives of certain States at the Conference at Portorose (Protocol No.1) in November 1921, it is suggested that those States should adopt the recommendations of that Conference and should take the necessary measures to give effect to them without delay.

Article 42. Inasmuch as the development of normal trade with all countries is only possible where traders are in a position to ascertain some time in advance the conditions under which goods can be legally imported into and exported from each country, it is proposed that any Customs duties and Customs restrictions incident to importation and exportation should be regulated by the following principles.

A. Customs Tariffs.

Article 43. All Customs Tariffs should be published; such publication should be accompanied by a clear and precise indication in regard to each category of goods of all the duties which are leviable on the importation or exportation of the goods concerned.

Article 44. The tariffs should be made so far as possible applicable over substantial periods of time, and changes in rates and in customs regulations should be made as rarely as possible and duly published, the practice of frequent modification for the purpose of economic warfare being entirely abandoned.

Article 45. No duties should be maintained or imposed after . . . on the exports of raw materials other than such duties as are found desirable for revenue purposes; export duties imposed for such purposes should be applied without any discrimination as between different foreign countries of destination.

B. Import and Export Prohibitions.

Article 46. The system of prohibition or restriction of imports or exports which certain States have introduced temporarily to protect their finances or to control their markets is in principle injurious from the point of view of the economic restoration of Europe. Every country has nevertheless the right, unless precluded by treaties, to prohibit absolutely the importation of goods of certain descriptions in the interests of national health, national security, national morals or for other special purposes, or to allow the importation of specified commodities only if consigned to recognised organisations either for the purpose of giving effect to a State monopoly or for seeing that the whole importation is put to a specified use, but prohibitions framed for any such purpose should be publicly announced and as limited in extent as possible. Such prohibitions and monopolies should not be used for the purpose of discriminating arbitrarily between different foreign markets or different sources of supply.

Article 47. Where for any reason it is desired to limit the amount of any commodity to be imported through ordinary trade channels such limitation should be effected by the medium of customs duties rather than by a system of prohibition modified by licences; every Government should at once

Article 47. examine the possibility of abandoning or reducing to the
(Contd.) smallest possible dimensions the number of goods to which the
latter system is applied, so that the general pre-war
position in this regard may be attained so soon as possible
and, in any case before . . . save in so far as it has been
modified by general International Conventions concluded since
the outbreak of war.

Article 48. Pending the complete abolition of the system of
prohibition accompanied by ~~licences~~, licences should be granted
on conditions which are publicly announced, unambiguously
stated, and uniformly applicable. Any trader should
accordingly be in a position easily to estimate in advance
whether and under what conditions a licence is procurable.
Administration should be on the simplest lines possible and
every arrangement should be made to secure that applications
for licences are dealt with expeditiously by competent bodies
organised for the purpose. In the grant of licences there
should be no discrimination of any kind in respect of the
nationality of the importer, the origin of the goods or their
nature, nor should the grant be dependent on the prices at
which they are to be purchased.

Article 49. Similar provisions mutatis mutandis to those laid down
in Articles 46 to 48 should be applied in regard to any
restriction of exportation which any Government may find
necessary for national security or for the purpose of con-
serving its economic resources; the licensing system should
be such as to allow of no discrimination in regard to the
prices at which the goods are to be disposed of.

C. General.

Article 50.

Where the admission or transit of goods of any description into any country or the duties leviable thereon are dependent on the fulfilment of particular technical conditions with regard, for instance, to their constitution, their purity, their district of origin, their sanitary condition, the Governments should come to arrangements with each other providing for the acceptance in accordance with rules and principles mutually agreed of certificates issued by competent scientific institutions or recognised authorities or bodies in the country of origin of the goods.

Article 51. The necessary steps should be taken to secure that the preceding provisions should be observed in the letter and in the spirit by all Government Authorities, central or local, and that no regulations of an administrative character shall be issued which would conflict therewith.

Article 52. It is desirable to arrange for enquiry to be made from time to time through a suitable organisation, e.g. the League of Nations, into the progress made by the various States in carrying these principles into operation.

Article 53. All the governments concerned should inform immediately the organisation referred to in Article 52 of all changes in customs tariffs or in the regulations relating to prohibition or restriction of imports or exports.

NOTE 1. In addition to the provisions contained in Articles 41-53 a suggestion was considered that resolutions should be submitted to the Genoa Conference for acceptance providing during a certain period for the mutual accord to each other by all the nations represented of the treatment of the most-favoured-nation in customs matters, subject to certain reservations which would be necessary to meet special difficulties. Whilst it was generally recognised that on purely economic grounds some such provision could be welcomed in the present general situation, some of the experts did not feel able to accept the proposals as presented.

NOTE 2. The experts have also considered the question of facilitating the use of arbitration clauses in commercial contracts relating to foreign business. They agreed that the question was one calling for careful consideration, but in view particularly of its technical and legal aspects they were of opinion that further investigation of the subject was necessary before a resolution could be prepared for submission to the Genoa Conference.

Chapter II.

TREATMENT OF FOREIGNERS IN THE CONDUCT OF BUSINESS.

Article 54. Foreign firms or individuals carrying on any permitted trade, profession or occupation should be subject to no higher taxation than is borne by nationals.

The taxation of foreign companies should be based on similar principles and the system of taxation so framed and administered that branches of foreign companies carrying on permitted trades, professions and occupations in the territory of any country should not bear a greater burden of taxation in that country than the businesses carried on in the country by national companies.

Article 55. It is desirable that, in the matter of passport visa regulations, all countries should at once adopt and put into practice in their entirety the recommendations of the International Conference on Passports, Customs Formalities and Through Tickets held at Paris in October, 1920, under the auspices of the Provisional Committee on Communications and Transit of the League of Nations.

NOTE. The more important of the Paris resolutions may be summarised as follows :-

- (a) The abolition of the visa for exit.
- (b) In general all entrance visas to be valid for one year. The validity of a transit visa to be the same as the period of the validity of the visa of the country of destination.
- (c) The maximum fees charged for visas to be -
 - Entrance visa 10 francs gold.
 - Transit visa 1 franc gold.
- (d) The transit visa, unless for exceptional reasons, (e.g. undesirables), to be issued without enquiry solely upon production of the entrance visa for the country of destination in addition to transit visas for the intermediate countries.

Chapter III.

PROTECTION OF INDUSTRIAL PROPERTY AND COPYRIGHTS.

Article 56. It is desirable that all European States which have not already done so should at once take steps to adhere to the International Convention of Paris of March 20, 1883, as revised at Washington in 1911, for the protection of industrial property and to the International Convention of Berne of September 9, 1886, revised at Berlin on November 13, 1908, and completed by the Additional Protocol signed at Berne on March 20, 1914, for the Protection of Literary and Artistic Work.

Article 57. Pending such adhesion every European State should, in so far as Industrial, Literary and Artistic property is not now reciprocally protected as between itself and other States, give effective protection to such property on condition of reciprocity; and should further save in so far as such rights have been or shall be dealt with by the Treaties of Peace with Germany, Austria, Hungary, Bulgaria and Turkey - recognise, restore and protect all rights in such property belonging to the nationals of other States which would now be in force in its territory, but for any exceptional legislative or administrative action taken in consequence of war or revolution between August 1, 1914, and the present date.

Note. In the opinion of some of the experts it is highly desirable that any European State which is not already a party thereto should adhere to the Arrangement signed at Madrid on April 14, 1891, for the repression of false indications of origin.

Section III.

TRANSPORT SECTION.

Article 58. Efficient transport is an essential requisite for the revival of production and trade. It is therefore desirable that States should continue to devote their unremitting efforts to the restoration and improvement of the organisation of their railways, harbours and other means of communication; where necessary, surveys of requirements should be made under adequate expert direction, and where the present resources of any State appear to be inadequate to restore the equipment and structure of these undertakings, including the fuel supply, steps should be taken without delay to secure assistance, whether from the International Corporation when established or from other suitable sources.

Article 59. The principles of the Agreement for the Regulation of International Railway Traffic signed at Portorose on November 23, 1921, should immediately be applied to all the European States represented at Genoa. The Council of the League of Nations should be invited to enquire into the measures already taken to carry the Portorose Agreement and Recommendations into effect.

Article 60. It is desirable that representatives of the railway administrations of the States concerned should attend a conference to define what further steps are necessary to restore international traffic conditions at least as satisfactory as those existing before the war, and should agree upon recommendations to their governments. Similar conferences should be held in regard to water communications and harbours.

It is desirable that favourable consideration should be given to the recommendations of these conferences with a view to their immediate application or if necessary to the conclusion as early as possible of conventions to give effect to them.

Article 61.

The conditions of international transport should not be determined by political considerations but rather by commercial and technical considerations, as in the case of the Conventions concluded at Barcelona on April 20th, 1921, regarding Freedom of Transit and the Regime of Navigable Waterways of International Concern, together with the additional Protocol to the latter Convention, and the Recommendations relative to the International Regime of Railways. It is desirable that the various other conventions provided for in treaties now in force should be prepared and put into operation as soon as possible.

FILES DIV.

JUN 3 1922

FEDERAL RESERVE BANK
OF NEW YORK

CERTAIN ASPECTS OF THE PROBLEM OF EXCHANGE STABILIZATION.

A Criticism of British Monetary Policy.

Appeal for Fresh Currency Committee.

(Paper read by Mr. O. T. Falk, C.B.E., at the Royal Society of Arts, on Wednesday, March 15, 1922.)

I shall discuss in this paper the problem of the stabilization of the gold or dollar value of sterling. If this subject is narrower than the title of the paper suggests, I must plead forgiveness on the ground that I had to choose the title before the paper was written.

In January, 1918, the Cunliffe Committee was appointed to "consider the various problems which will arise in connection with currency and the foreign exchanges during the period of reconstruction and report upon the steps required to bring about the restoration of normal conditions in due course." The two reports of the Committee were published in the autumn of 1918, and at the end of 1919. Very little thought was given to the difficulties of the reconstruction period; it was assumed that the pre-war financial system was the goal to be aimed at, and attention was directed almost exclusively to a rather doctrinaire and rigid scheme for the attainment of this goal. Worst of all, the Committee made the mistake of discussing the problem from the point of view of finance rather than from the much more important point of view of industry, trade and the general welfare of the community. Our financial policy since the Armistice has not been a success, and for its failures the Cunliffe Committee are partly responsible.

But the sins of the Committee were mainly sins of omission, and it has not been any real or assumed obligation to obey the precepts of the reports which has caused the Treasury and the Bank of England to make their chief mistake of the last three years. During this period we have suffered from a wild boom, a disastrous slump and prolonged depression. A boom, a slump and depression we should have suffered in any case, but all three might have been less acute if those in control of financial policy had used the discount rate wisely. Bank rate was raised much too slowly during the boom, and lowered too late and too slowly during the slump. The rate ought to have been at its present level months ago, and to-day there is as much justification for a 2% rate as there was in the years following the Baring crisis. In times such as these, when our currency is inconvertible and exchange far away from the level regarded as the ultimate goal, the discount policy of the Bank of England cannot be operated satisfactorily if those in control fix their attention primarily upon the volume of currency and bank deposits, the reserve, and the premium on dollars. They must remember that it is their duty to endeavour to prevent booms and slumps, and to keep the standard of value as stable as possible. Since the

Armistice, with this object in view, they should have regulated the discount rate in accordance with the direction and rate of change of the internal commodity price level.

The Federal Reserve Board of the United States has made the same mistake, though for rather different reasons. The policy of the Board has been very ably criticised by Mr. Hawtrey in a paper read to the Royal Statistical Society last month. "The whole world," says Mr. Hawtrey, "has been plunged into the most appalling distress for nearly two years by the strain of raising the commodity value of the dollar 80%." I agree with him that this was unnecessary, and that it was due to a failure on the part of the responsible authorities to understand what he calls the vicious circle of deflation. If he were not an Assistant Secretary of our Treasury, Mr. Hawtrey might have extended his criticism to the policy of those in control in this country, for we need not be dragged at the heels of American error.

This past history is important, because it throws some light upon the mentality of those responsible for dealing with the present and future problems which are the main concern of this paper.

Bank rate in London is now (Feb. 27) $4\frac{1}{2}\%$, the rediscount rate of the Federal Reserve Bank of New York also $4\frac{1}{2}\%$, and the New York-London exchange 4.42. I have said that in my view Bank rate ought to be 2%, and that London need not wait for American reductions. On the contrary, the rapidity of the recent rise in sterling is a very strong reason for putting London rates below New York rates. The rise is harmful to our trade, and we ought to check it, not stimulate it. If we are to aim at restoring the pre-war parity with the dollar, let us stimulate the rise in sterling when trade is booming, not when it is in the depths of depression. We can more easily afford to check a boom than to knock trade on the head when it is trying to get on its feet again.

I do not propose to discuss the question of devaluation. At present the discount on sterling is being so rapidly reduced that the restoration of the old parity appears within easy reach, but in a few months' time the rate may fall away again, and devaluation may in the end become desirable, if not inevitable. If we were to attempt to stabilize sterling immediately we should have to devalue, but, an immediate choice being unnecessary, all we need do is to make up our minds not to damage our trade by a financial policy designed to restore the old parity at an early date.

The problem of maintaining exchange stability is quite different from the problem of fixing and attaining the level at which stabilization is to be attempted.

There are, in my opinion, three important conditions of an attempt at stabilization:—

- (1) A practicable settlement of the Reparation and Inter-Allied Debt problems.
- (2) A reduction in the size of the favourable trade balance of the United States, and the maintenance of this reduction for a considerable period.

(3) A restoration of complete confidence in the ability and determination of our Government to balance the Budget.

With these fundamental political and economic obstacles out of the way, we could turn our attention to the technical aspects of a difficult, though not impossible, problem.

The technical difficulties will probably prove greater than is generally expected, and it is essential that they should receive careful consideration before we take the plunge.

The account of this country with the rest of the world is balanced to a halfpenny every day. If there is anything owing either way after the payment of all debts arising out of sales of goods, services, gold, currency notes, and securities, the difference is settled by an international credit in the books of bankers. It is true that the attempts of debtors to settle the difference, or, in other words, to secure exchange which does not exist, causes exchange rates to move, and this movement not only alters the money figure of the old debts which are being settled, but also causes an offset by way of new sales of goods, services, gold, notes, and securities within the day. Thus in two ways a shift in exchange rates reduces the difference which is left over for settlement by bankers, but, in spite of this reduction, the final amount is at times a large one.

Before the War seasonal and other temporary fluctuations in exchange were confined within the gold points, and the fact that they were so confined, though due primarily to the guarantees of the gold standard, was due secondarily to the willingness and ability of international bankers to settle the difference referred to above. But it must be remembered that any grant of international credit involves the creation of an open exchange position, and that bankers as a rule are unwilling to run the risks of heavy losses in exchange. Before the War bankers settled the final difference because they considered their risk of loss to be confined within the limits of the gold points. If we restore the gold standard, they will not shift balances for small exchange and interest rate profits unless they have complete confidence that the attempt to maintain exchange within the gold points will succeed. Since the Armistice the banks have been able to settle the final differences in spite of fluctuating exchanges, because the necessary speculations in exchange have been made by other people. In fact, under present conditions, the initiative in settling the difference and checking an exchange collapse is taken by exchange speculators, the banks being now mere agents in the matter. If there were no people willing to speculate in exchange, the required credits would not be granted, and the exchanges would collapse. When we restore the gold standard exchange speculators will go out of business, and the burden of taking the initiative and acting as principals will once more fall mainly upon the banks.

It is further to be noted that the final difference must not be too great for the credit granting capacity of the bankers, and we cannot assume that the daily adjustments required will now be as small as they were before the War. For both political and economic reasons the ~~the~~ disturbances are likely to be greater, and the assistance given by the movement of securities is certain to be less, partly because the credit of many borrowers is impaired, and partly because, with taxation at its present level, double taxation is a very serious barrier to the transfer of securities from one market to another.

I, therefore, conclude that it will be very dangerous to attempt stabilization until we have assured ourselves both that the task of adjusting the daily balance is not beyond the capacity of bankers, and that the prospects of success are so obviously good that the whole banking world will feel confident about the result.

Another difficulty is caused by the large volume of Treasury Bills outstanding in this country. The Federal Reserve Bank of St. Louis

machinery by which the Bank of England controlled the exchanges before the War would now be much less effective, because holders of Treasury Bills can force the British Government instead of foreigners to make good the deficiency in the reserves of our Money Market. The difficulty cannot be overcome quickly by funding Treasury Bills, because Treasury Bills are now an essential element in our internal currency and banking system, and their elimination can only be effected at the cost of heavy and harmful deflation. So long as there are Treasury Bills in the hands of the public and the Joint Stock Banks, the Bank of England will have to make very rapid and drastic changes of the rate of discount in order to produce any effect upon the foreign exchange position, and even so I very much doubt whether the discount rate will prove adequate. Some new device may have to be summoned to our aid.

A third difficulty may arise if the debts owing to our Money Market by foreigners are different in size or type from what they were before the War. Under pre-war conditions the rapid protection which we sometimes required for our gold reserves was supplied mainly by calling these foreign loans. If such loans are now smaller in volume as compared with our normal daily foreign account, or, though as large in volume, of longer average maturity, it is obvious that they will be a less effective instrument than they were for protecting our gold and correcting the exchanges. I am not able to express any decided opinion upon our present position in this respect, but I think there are good reasons for suspecting that the strength of our foreign claims portfolio has decreased. It is, in any event, a question which requires very careful consideration.

We must also remember that foreign claims upon us are more important than they were before the War. In 1914 practically the whole world with the exception of France owed us money on balance on short loan contracts, and the United States were at our mercy when we called our loans at the outbreak of War. To-day the United States are in a very different position, and the task of protecting our gold would be extremely difficult if they were to call the loans which they have made to other countries.

A fourth difficulty is provided by the uncertainty as to the sufficiency of the world's gold stock for the support of the present volume of currency and credit measured in terms of gold. The world's stock will certainly not suffice unless all countries use gold very economically. It is, therefore, very unwise to suggest, as the Chancellor of the Exchequer has done, the possibility of a resumption of the use of a gold currency in circulation in this country. If we want to have a free market for gold, we must devise some plan for establishing such a market without allowing gold coin to return to the pockets of the people. The alternative to economy in the use of gold is a further severe fall in commodity prices, a disastrous solution which should be avoided at almost any cost.

We have discovered during the last few years that the welfare of the whole community depends very largely upon monetary policy, but, in spite of this, it is hardly an exaggeration to say that we now have no policy at all. The pre-war policy will not work under post-war conditions, the Cunliffe Committee Reports provide little guidance in our present troubles, and we are, therefore, leaving everything to the Treasury and Bank of England, who are better fitted for the work of operating an old policy than for the very different task of devising a new one. We are sailing uncharted seas, and at each stage of our progress we need the guidance of men whose ideas about money extend beyond the narrow limits of pre-war inductions. It is above all things essential that our problems should be submitted to a fresh committee on currency before we attempt a return to the gold standard. If this is not to be, then may Heaven deliver us from the Norman conquest of 486.

THE GENOA RESOLUTIONS ON CURRENCY

THE Financial Commission of the Genoa Conference passed a series of twelve Resolutions (Cmd. 1667, pp. 60-2) on the subject of currency, which were adopted by the full Conference, and which may therefore be regarded as the united voice of the Governments of Europe.

That there should really be twelve propositions on the subject of currency, which command the agreement of all Europe, would seem to be a fantasy hardly deserving serious consideration. That there should even be the appearance of agreement invites the suspicion that the resolutions must be strictly confined to pious platitudes, and surely the stock of pious platitudes respecting currency must long ago have been exhausted, if not at the Brussels Conference of 1920, at any rate at the multitudinous conferences and discussions which have taken place since the end of the war.

By most critics the Genoa resolutions are dismissed with some such remarks as these. And there is no difficulty in supporting their criticisms with quotations from the resolutions themselves. That stability is desirable, that central banks should be independent of political pressure, that all European currencies should be based on a common standard, that the only possible common standard is gold, that, so long as budget deficits are met by the creation of paper money, currency reform is impossible, these are propositions of the familiar type.

But to suppose that all the resolutions conform to this model is to do them something less than justice, and in the following pages I shall endeavour to show what is their practical bearing, and what results we may hope for from them.

The first practical step recommended in the resolutions is the meeting of representatives of central banks (Res. 3), to be summoned by the Bank of England (Res. 12), to which representatives of the United States are to be invited (Res. 10). The primary object of this meeting is to develop "the practice of continuous co-operation among central banks of issue, or banks regulating credit policy in the several countries" (Res. 3), but there is specifically referred to it a scheme for an international

convention, based on a gold exchange standard, and designed "with a view to preventing undue fluctuations in the purchasing power of gold" (Res. 11).

Another international conference! What, will the line stretch out to the crack of doom?

But here there is a difference. The calling in of the central banks is a recognition of the principle that currency policy is ultimately credit policy, for the direction of credit policy is the special function of a central bank.

It is true that the currency inflation during the war, and the most flagrant examples of currency inflation since, have been due to the action, not of central banks, but of governments. If the central banks contributed, that was only because they were allowed no choice but to create credit for their governments.

It is everywhere recognised that government action of this kind must cease if anything whatever is to be done with the currency, and some of the pious platitudes adopted at Genoa (Resns. 2, 7, & 11 (1) (a)) were needed to place this presupposition on record once again.

If the Conference added nothing to what had already been said on this topic, that was because there was nothing to add. The particular measures required for balancing budgets and avoiding inflationary finance are not, properly speaking, currency measures at all, though they are very intimately affected by the state of the currency. Moreover, except in one important but limited class of cases, they provide no field for international action. They are the domestic business of each country, and are not the concern of an international conference. With regard to the exception, the inter-government obligations left behind by the great war, we shall have a word to say later on.

Inflationary government finance once eliminated, the real responsibility for the currency passes from the government to the central bank. The central bank may be itself a government department, or essentially subordinate to the government, but, even if it is, it has the responsibility for regulating the currency *on banking principles*. When, therefore, the governments of Europe pass on their monetary programme to the central banks, it is the same sort of step forward as is taken by allies in war, when the political leaders hand over the task of concerting operations to the military commanders. Broad guidance must be given by the political leaders, but it is only the military commanders who can plan and take practical action.

When the supply of paper money through advances to the

government for budget expenses is cut off, the banking and trading community can only get fresh supplies of currency from the central bank through the instrumentality of trade borrowing, such as discounts and advances. The only means of regulating the supply of currency is then by encouraging or discouraging trade borrowing. Legislative or administrative regulations, limiting or prescribing the issue of legal tender money, may play an important part, but, in the last resort, only by affecting the action of the central bank. Anyone who can borrow from the central bank can thereby procure legal tender money, and in such borrowing operations (which in most countries take the form of re-discounting) is concentrated the whole demand for currency. If the issues of currency are to be limited, whether by statute or otherwise, practical effect can only be given to the limitation through a control of re-discounts.

In the scheme which is referred to the meeting of central banks is embodied the plan of campaign adopted by the governments at Genoa. It starts (Res. 11, par. 1) with the necessary governmental and legislative action, viz. (a) the elimination of inflationary methods from the budget, and (b) the determination of the gold value of the monetary unit. The next step, (c) "the gold value so fixed must then be made effective in a free exchange market," is one involving credit regulation, and therefore demands co-operation by the central bank. For the determination of the gold value of the monetary unit fixes implicitly a standard for its purchasing power in terms of goods and services. If the standard diverges from actual market conditions, then the purchasing power of the unit must be modified. Convertibility into gold or foreign exchange is not practicable until the unit is at or very near the parity determined upon, and thus in the first instance the value of the unit must be adjusted through the central bank's credit policy. If the prescribed value is above the existing market value of the unit, credit must be contracted; if below, credit must be relaxed.

Now changes, through credit regulation, in the purchasing power of the unit are not to be made at will and without limit. An undue expansion or contraction of credit, involving a general rise or fall in price, has detrimental and even disastrous results upon the economic life of the community. Therefore when the legislation is introduced for the second stage, (b) the determination of the gold value of the unit, the central bank, by whose action alone effect can be given to the decision, must be consulted and must participate.

The fourth step is, (d) "the provision of an adequate reserve of approved assets, not necessarily gold." The reserve will, of course, be the property of the central bank, which is responsible for using it to maintain the convertibility of the currency. That will not prevent the government from assisting in various ways, but the principal in the business will be the bank and not the government.

In fact every stage in the process of returning to the gold standard, except the pre-requisite balancing of the national budget, requires at least the co-operation of the central bank.

Pars. 2-7 of Res. 11 deal with the subsequent working of the convention, when the gold standard is actually operative. It may be asked, why is any international agreement on the subject of the gold standard necessary at all? When we have once got a currency based on a commodity like gold, why should we not rely on free market conditions, as we did before the war?

To ask such questions is to disregard the profound changes which have occurred since 1914. The substitution of paper for gold as the circulating medium in so many countries has displaced an enormous amount of gold from circulation. This gold has mostly gone to swell the stock in the United States, being the only country left with a real gold standard. The result has been a great fall in the commodity value of gold. Even now the commodity value of the gold dollar, after being raised 80 per cent. in twelve months by the most severe deflation ever effected, is only two-thirds of what it was before the war. If currency reform means simply a reversion to pre-war conditions, there is an obvious risk that the value of gold may be raised again by "the simultaneous and competitive efforts of countries to secure metallic reserves" (Res. 9). This is not a visionary or theoretical danger. Several examples are to be found in history of the derangement of monetary conditions through an ill-regulated competition for the precious metals. The most notorious is the chronic state of depression which prevailed during the spread of the gold standard in the period 1873-1896. A less well known but still instructive instance is to be found in the breakdown of the return to specie payments in England, Austria-Hungary and Russia in the period 1816-18, through the depletion of the French reserves of gold and silver and the consequent credit stringency in Paris.

If an undue demand for gold is to be avoided, we must have some method of economising the use of gold as currency. This we find ready to hand in the gold exchange standard, the

application of which forms the subject of pars. 2-5 of Res. 11. The principle is that the currency of each participating country, instead of being convertible into gold, may be convertible at par into the currencies of the others. To secure convertibility, the participating countries will hold reserves of "approved assets" (bank balances, bills, short term securities or other suitable liquid resources) in one another's currencies, and will undertake to buy and sell such assets freely for their own currencies.

Different currencies linked by an exchange standard so planned could be maintained permanently at par with one another without the intervention of any metallic medium at all. If the system is to be based on a gold standard, then, at some point or other, one at least of the currencies must be convertible not merely into other currencies but into gold. Accordingly "certain of the participating countries will establish a free market in gold, and thus become gold centres" (par. 2).

At the gold centres some gold reserves must be maintained. But if the convention is practically world-wide, if all the gold-standard countries adhere to it, gold will nowhere be needed as a means of remittance, and gold will only be withdrawn from the reserves for use as a raw material of industry.

The precise extent of the industrial demand is not accurately known, but it can hardly amount to £50,000,000 a year. At any rate, even with the fall since 1914 in the value of gold in comparison with other commodities, it is unlikely that the industrial consumption of gold has so far increased as to approach the annual output, which is now about £70,000,000.

The aggregate gold reserves held for monetary purposes exceed £1,500,000,000. Here we have a "visible supply" of a commodity equal to something like thirty years' consumption. In face of the existence of such a stock, the gold market cannot but be entirely artificial. A release from stock of a quantity of gold, quite moderate in proportion to the total, might completely swamp the market. In fact the gold exchange standard is *too* effective in economising gold. If it were pushed to its logical limits, far the greater part of the existing gold reserves would become redundant, and the commodity value of gold, upon which the value of every currency unit depends, might be depressed below even the low value which it reached in 1920 (when the purchasing power of the gold dollar fell to three-eighths of what it had been in 1914).

It is therefore apparent that in tying our currency units to gold, we are not securing a natural or stable standard of value at

all. To complete the system, we must provide for the proper regulation of the almost unlimited power which the currency authorities will have over the value of gold itself.

Accordingly "credit will be regulated, not only with a view to maintaining the currencies at par with one another, but also with a view to preventing undue fluctuations in the purchasing power of gold" (Res. 11 (7)).

Critics of the Genoa resolutions have for the most part either overlooked this recommendation altogether, or they have viewed it with misgiving and suspicion as an academic proposal of doubtful practicability. What has already been said above shows how essential the stabilisation of gold is to the whole scheme. But it will be worth while to examine it in some detail, in order both to remove misconceptions and to reveal the implications of the proposal.

In the first place, what of its practicability? Can the value of gold be regulated, and, if so, how? With a gold standard, the *price* of gold in currency is fixed, and everyone knows how gold reserves can be used to prevent the price varying. What we are here concerned with is the value of gold, and therefore of the currency unit *in terms of other commodities*.

In other words we want to stabilise prices. Needless to say, it is not suggested that anything should be done to control the prices of particular commodities. The proposal is to eliminate causes tending to raise or lower *all* prices. Such causes proceed from the state of the currency. According to the quantity theory, an increase or decrease in the quantity of means of payment (including both legal tender money and bank credits subject to cheque) tends to bring about a proportional increase or decrease in prices. The supply of legal tender money depends directly on the central bank. The supply of bank credits depends upon trade borrowing, and so upon the lending policy of the other banks.

But the lending policy of the banks depends upon the lending policy of the central bank. When they lend, they assume liabilities which are payable on demand in legal tender money, and they must assure themselves of adequate cash reserves to provide for these liabilities. Therefore their willingness to lend depends upon the facilities for obtaining legal tender money, and these facilities depend in turn upon the willingness of the central bank to lend. The willingness of the central bank to lend is measured by its "bank rate," or "re-discount rate." A variation in the rate directly affects only the other banks. But in practice

they in turn usually put the rates they charge to borrowers up or down with it. Thus trade borrowing as a whole is discouraged or encouraged, and the supply of the means of payment restricted or stimulated.

This is not the place to dwell upon the mechanism of the control of credit in detail. But there is one complication so important that it must be mentioned. With a given volume of business, prices depend not only upon the quantity of the means of payment, but upon its *rapidity of circulation*. Rapidity of circulation is not a very satisfactory expression, and it is not necessary to enter upon a criticism of it. What we are really concerned with is anything which tends to *increase or decrease* rapidity of circulation. And the practical form which such a tendency takes is a decreased or increased willingness on the part of the public, and especially of traders, to hold balances of money (in cash or credit). Above all, an expectation that prices will rise makes people less willing to hold such balances, and an expectation that they will fall makes them more willing. When, therefore, the central bank, by re-discounting at low rates, has once succeeded in stimulating trade borrowing, and the increase in the supply of the means of payment has started a rise in prices, the consequent increase in rapidity of circulation immediately tends to exaggerate the tendency. And *vice versa*, when high re-discount rates have checked trade borrowing, the consequent decline in rapidity of circulation exaggerates the fall of prices.

State it
mind!

Supra

The quantity theory, enunciated, as it sometimes is, without any reference to variations in rapidity of circulation or any reservation covering such variations, is fallacious. But the principle of the regulation of the currency unit through the control of credit is not dependent on this crude form of the theory. For the changes in rapidity of circulation arising from the control of credit *reinforce* its effects. Provided the action of the central bank is effective in accelerating or retarding trade borrowing, the resulting rise or fall of prices is greater, not less, than in proportion to the change in the quantity of means of payment. Money is not borrowed to be kept lying idle. It is paid away, as soon as borrowed, either directly, or through the medium of dealers, for the expenses of production. It is almost literally true to say that a net addition to the amount of trade borrowing in any period of time is an addition to the money income of the community for that period. The changes in the quantity of the means of payment are subsequent and consequent.

Now it is money income, not the quantity of the means of payment, that affects demand. Or rather it is money income that determines expenditure, expenditure that determines demand, demand that determines prices. Therefore the problem of regulating prices is reduced to the problem of regulating trade borrowing.

Even the power of the central bank to regulate trade borrowing is sometimes contested. Interest on bank advances or discount on bills forms an almost negligible item in the total cost of production. Can it be supposed that an increase of two or three per cent. ($\frac{1}{2}$ to $\frac{3}{4}$ per cent. for three months) will seriously affect the willingness of producers to borrow? And even if it be admitted that experience proved the sensitiveness of business to bank rate under pre-war conditions, was not this sensitiveness largely psychological? Did not traders take the advance in bank rate as a sign of the anxiety of the central bank, and its fears of an approaching exhaustion of its reserves?

Before the war the credit policy of central banks was always based (as it still ostensibly is) upon the amount or proportion of gold reserves. A shortage or threatened shortage of gold reserves might be interpreted as endangering credit. The rise in the bank rate might be a danger signal, leading all lenders to fear default on the part of borrowers and to restrict operations.

But when paper money is used, a general default of borrowers on account of a shortage of cash becomes impossible. Whatever legal limitations may be imposed on the note issue cannot be maintained when the pinch comes. They could only be maintained through a refusal by the central bank to lend after they have been reached. It is well understood that such a refusal would be fatal, and in practice it is never resorted to. (A general refusal to lend was, it is true, a characteristic of pre-war American crises, but that was in a banking system with no central bank and no discount market.)

Nor is it in the least necessary to drag in a general fear of default from shortage of cash as the explanation of the sensitiveness of business to the bank rate or re-discount rate. It is perfectly true that the producer is not much troubled by the rate of interest he has to pay his banker. But that is not so in the case of the merchant or dealer, who is constantly carrying stocks of goods large in proportion to his own capital, and makes very nice calculations as to his margin of profit and the cost of borrowing. A moderate rise in the cost of borrowing will make the carrying of stocks appreciably less attractive to him. He will buy less and sell more, and so a fall of prices can be started.

Examine

General price variations are closely identified with the trade cycle, interest in which has lately been revived by the great trade fluctuation of the past three years. Active trade is accompanied by rising prices, that is to say, by a depreciating currency unit, and depressed trade by falling prices, or an appreciating unit. Which is cause, and which is effect? Various attempts have been made to show that the trade cycle is explicable by some deep-seated non-monetary cause, and that the price variations are merely symptomatic.

There are two principal theories.

One traces the trade cycle to periodical over-production, the other to periodical states of over-confidence.

According to the former, if at any time trade is active, people are tempted to invest too much money in extending the means of production. The process of investment takes time, and, as it progresses, output is gradually swollen, till it outstrips demand. Excess supply then depresses prices and discourages investment, till supply falls off, prices recover and the cycle begins again.

According to the other theory, the root cause of the trade cycle is a long-period change in the state of business confidence. A rise or fall in confidence is contagious, and, once started, markets cannot free themselves from it till it runs up against some physical obstacle in the state of production.

The two theories are not mutually exclusive, and are usually combined, the over-investment being attributed to the over-confidence. Nor are monetary causes altogether ruled out. It is admitted that the over-confidence leads to too much trade borrowing, and so to an inflation of the means of payment.

If these theories of the trade cycle are correct, is it not vain to hope that prices can be steadied? Is it not impossible for a central bank to alter the conditions of production or of supply and demand, or to correct the weakness of mob psychology?

I believe not. And I shall not stop to argue (what I believe to be true) that the trade cycle is a *purely* monetary phenomenon. Let the non-monetary theories be admitted. What then can be done by means of the control of credit?

Assume a state of over-confidence. "Confidence" here means an expectation that prices will rise, that and nothing else. To be pedantically correct, it is better to say that it means an expectation that effective demand at a given price will grow. "General business confidence" means an expectation that the effective demand for *all* commodities will grow. This expectation makes trade borrowing for the purchase of commodities attractive,

and if unchecked the increase in trade borrowing will itself bring about the anticipated rise of prices. But, then, if only the cost of trade borrowing be raised high enough, its attractiveness can be counteracted. If the over-confidence does not lead to increased trade borrowing, the expectation of increased demand will be disappointed, and prices will not rise. How long the over-confidence will survive its disappointment is another matter. So long as it does survive, borrowing must be kept in check. But whether the continuance of the treatment be long or short, it will prevent a rise of prices, that is to say, a depreciation of the currency unit. In reality, of course, the over-confidence would not outlast its disappointment long. Bank rate *might* theoretically have to be raised very high to have this effect, but experience teaches that borrowing reacts to a very moderate rise.

The other branch of the problem, the counteracting of a loss of confidence, is not quite so certainly soluble. "Loss of confidence" means an expectation that prices will fall, or that demand will contract. It is theoretically conceivable in such a case that no rate of interest, however low, would tempt dealers to buy goods. Even lending money without interest would not help, if the borrower anticipated a loss on every conceivable use that he could make of the money. Business got into something very like this state in England after the American crisis of 1893. Bank rate was kept at 2 per cent. for upwards of two years before a revival began, and the open market rate for three-months bills fell below 1 per cent.

But such a condition of stagnation is not possible except in the course of reaction from a riot of inflation. If the inflation is prevented, the stagnation will never arise.

But even granted that variations in business confidence can be counteracted, how can we deal with periodical over-production? According to this theory the over-production is the result of past over-investment, which in turn is brought about by an expectation of high profits at a time of short supply. The expectation of high profits can be kept within bounds by a high rate of interest just as easily when it is due to a real shortage of stocks of commodities as when it is merely a vagary of mob psychology. What is required is to counteract, or, at any rate, to check the general desire of merchants to restore their stocks to normal. In 1919, when stocks had been nearly everywhere depleted by war conditions, a high rate on trade borrowing would have done much to guard against the danger of inflation, at all events in those

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countries where government finance was not in extreme disorder.

This state of things was abnormal. It is by no means true that under pre-war conditions a revival of trade synchronised with a shortage of stocks or a falling off with a glut. But it is not necessary to argue that point; it is enough to say that, if the shortage or the glut did occur, its effects upon prices, and therefore upon profits, and therefore upon investment, could be counteracted through the instrumentality of the control of credit.

In short, whatever other factors affect the purchasing power of the monetary unit, one, the volume of trade borrowing, is amenable to human control. By its means the agency which exercises the control, that is to say, the central bank, can correct the effects of all the others.

That does not completely dispose of all doubts as to the practicability of stabilisation. It would be vain to ignore the many difficulties in the way of the detailed application of the policy. How is the purchasing power of the unit to be measured? Any available index number is bound to be affected by price variations in particular commodities arising from non-monetary causes, such as harvest conditions, new inventions, discovery or development of new sources of supply or exhaustion of those that exist. A blind adherence to the index may hide a real departure from the path of stabilisation. And, what is almost more fundamental, a change in the monetary supply may manifest itself at first not in a change of prices at all, but in a change in the volume of purchases; it may have made material progress before the index number is affected. Stabilisation cannot be secured by any hard-and-fast rules. The central banks must exercise discretion; they must be ready to detect and forestall any monetary disturbance even before it has affected prices. The policy can only be perfected by long experience. Nor can it be assumed that perfect stabilisation of internal purchasing power is always reconcilable with perfect stabilisation of the foreign exchanges. The maintenance of the exchanges within a small fraction of parity, which is of the essence of the scheme, may involve a small departure of the internal purchasing power of the unit from the norm in one or more countries. A suitable compromise must be arrived at by the central banks among themselves, but it is no use to under-estimate the difficulty of preserving an even course under such conditions.

Finally, it may be asked what real benefit a policy of direct

stabilisation of the unit, even if practicable, will confer upon us. It may be freely granted that any *large* fluctuations in the commodity value of the unit, such as occur in countries with "collapsed" currencies, are a deadly evil. But is there any harm in the limited fluctuations that occurred under a gold standard before the war? The maladjustment of gold reserves, referred to above, must of course be corrected. But once the gold supply is suitably distributed, why should we not get on as we did before the war, and leave index numbers of prices to amuse the theorists?

The assumption that the maladjustment of gold reserves will have been corrected is rather a large one. But there is no need to press that point. For before the war the world *did* suffer gravely from the fluctuations in the commodity value of money, moderate as those fluctuations seemed to be. It has been pointed out above that the fluctuations of the currency unit are intimately related to the trade cycle. Now the problem of unemployment, as we knew it before the war, was nothing more nor less than the problem of the trade cycle. Unemployment there might be in particular industries independently of the trade cycle. But *general* unemployment such as prevailed in 1908-9, in 1903-5, in 1892-5, in 1884-7, in 1877-9, and in many earlier periods, was invariably a symptom of the adverse phase of the trade cycle.

So long as credit is regulated with reference to reserve proportions, the trade cycle is bound to recur. The flow of legal tender money into circulation and back is one of the very tardiest consequences of a credit expansion or contraction. If the central bank waits for this flow to affect its reserves, and sits passively looking on at an expansion or contraction gathering impetus for years before it takes any decisive action, we cannot escape from the alternations of feverish activity with depression and unemployment. If the central bank watches, not the reserve proportion, but the aberrations of the flow of purchasing power (as measured by prices, subject to the necessary allowances) from a perfectly even course, early action will become the rule, the expansion will be checked in time and the contraction will be avoided. Expansion and reaction have been more pronounced and more injurious in the short period that has elapsed since the war than ever before. That is because the credit situation has been allowed to drift without much regard even to the old test of reserve proportions.

To attribute our present unemployment to credit contraction may seem to run counter to the prevalent opinion, which finds

the cause in the collapse of Central and Eastern European currencies. But if Continental customers cannot buy British goods, that is largely on account of that very pressure to sell, which has been brought about by the credit contraction. This pressure to sell has not only reacted adversely upon production here, but has raised the value of sterling both in commodities and in foreign currencies, and has congested markets with accumulated stocks all over the world. These consequences are not more conspicuous in European markets than elsewhere, for example in South America and the East. Nor have we really suffered materially from the low cost of production in the countries with collapsed currencies, for by the test of the volume of exports their competition is much less formidable than before the war.

It is quite superfluous to seek for other causes of depression and unemployment, when there has been so tremendous a deflation as to reduce prices by half in less than two years. The relation of business depression to falling prices is so well recognised, not merely among economists but among practical men, that it is hardly necessary to labour the point. Experience has confirmed theory scores of times.

That does not mean to say that we do not suffer through the distresses of Europe. Our loss is heavy enough, but it does not take the form of unemployment. Unemployment is due to a defect of organisation, a maladjustment of the monetary machinery. The defect can be cured, the maladjustment can be corrected.

This is all very well, it may be said, for the countries which already have healthy currencies. By taking thought, they can perhaps do even better than before the war. But that is not the urgent problem for which the Genoa Conference was called together. What help do the resolutions offer to the countries with collapsed currencies themselves? It may be quite true that their disorders are not the cause of our depression, but that does not mean that the disorders themselves are unimportant.

These disorders are due, one and all, to budget deficits. This is true without qualification. The budget deficits themselves are due to many causes. It may possibly be true in one case that no financial expedients can provide adequate resources for the expenses of government. If so, the budget deficit is there a symptom of a more deep-seated economic malady, a real inability to attain the subsistence level. But that, at any rate, is exceptional. Elsewhere budget deficits have less fundamental causes.

We need not examine them in detail, but we may refer in particular to the case of international indebtedness.

To international indebtedness, whether reparations or war debts, have been attributed all the currency and exchange disturbances of Europe. Those who take this view have overlooked the fact that, apart from German reparations, practically none of the debts have even begun to be paid. Even the sums paid by Germany have been moderate in comparison with the capacity of the exchange market. The real difficulty is that the debtor countries have failed to *budget* for their liabilities. The reparation payments made by Germany up to now have been effected not by raising the money from the tax-payer to buy the necessary exchange, but by creating inflated credits. So long as this is so, the reparation difficulty is merely the budget difficulty over again.

Undoubtedly it might be that a country, which could successfully budget for the equivalent in its own currency of its foreign obligations, would fail to create the necessary export surplus, and in that event the exchange market would break down. That situation would have to be dealt with if it arose, but it has not yet arisen.

In one respect the Genoa resolutions are really unsatisfactory. It is impossible to point to any particular time at which effect can be given to them. Not only must they wait for the balancing of budgets before they can take effect in the weaker countries; even in the stronger they must wait for the establishment of a gold parity, whether the restoration of the old one or the adoption of a new. England and half a dozen other countries are within less than ten per cent. of par. But no one can say for certain how long it will take to bridge the gap. Further deflation is out of the question, and all we can do is to stabilise our currency at its existing purchasing power till the redundant supplies of gold now in America have brought down the commodity value of the dollar to the corresponding level.

Some countries, whose currencies are at less than half their pre-war gold parities, are nevertheless extremely unwilling to give up the prospect of restoring them. France, Belgium and Italy all took this attitude at Genoa. It seems to involve an almost indefinite postponement of stabilisation so far as they are concerned.

On the other hand, countries with collapsed currencies, as soon as they have surmounted their budget difficulties, and are in a position to stabilise, will have no compunction about adopting

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a new parity. For them the stabilisation of the healthy currencies is by no means a matter of indifference. One of the great practical difficulties in the way of currency reform in countries like Finland or Czecho-Slovakia, which have gained effective control of their credit situation, has been the rise in the commodity value of the dollar and the pound during the past two years.

R. G. HAWTREY

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