

N° 396.

FRANCE ET HONGRIE

Convention au sujet du règlement des dettes hongroises envers les ressortissants français visées par l'article 231 du Traité de Trianon, signée à Paris le 31 janvier 1921.

FRANCE AND HUNGARY

Convention with regard to the settlement of Hungarian debts to French nationals, as provided for by Article 231 of the Treaty of the Trianon, signed at Paris, January 31, 1921.

¹ TRADUCTION. — TRANSLATION.

No. 396. — CONVENTION² BETWEEN FRANCE AND HUNGARY WITH REGARD TO THE SETTLEMENT OF HUNGARIAN DEBTS TO FRENCH NATIONALS, AS PROVIDED FOR BY ARTICLE 231 OF THE TREATY OF THE TRIANON,³ SIGNED AT PARIS, JANUARY 31, 1921.

Official French text communicated by the Hungarian Chargé d'Affaires at Berne. The registration of this Convention took place March 23, 1923.

The GOVERNMENT OF THE FRENCH REPUBLIC having so far as it is concerned, decided to apply Section III and the Annex thereto of part X (Economic Clauses) of the Treaty of June 4, 1920, and the HUNGARIAN GOVERNMENT having taken note of this decision, the two Governments have agreed to the following provisions as regards the settlement of the Hungarian debts to French nationals referred to in Article 231 of the Treaty of the Trianon.

Article 1.

The French and the Hungarian Audit and Clearing Offices shall be established as soon as the present Convention is signed, but they shall only commence operations for the recovery of debts from Hungarian debtors on October 1, 1921.

Article 2.

The Governments of the High Contracting Parties being desirous, however, that as soon as this Convention is signed, the settlement of the debts to which it refers should be expedited by the conclusion of numerous and comprehensive friendly arrangements between their nationals, shall take all possible steps within their respective countries to induce their nationals to draw up, before August 1, 1921, either individually or in voluntarily constituted groups, suitable proposals with a view to friendly agreements.

The negotiations will take place directly between French creditors and Hungarian debtors without the intervention of the Clearing Offices.

The Offices may agree to extend the time limit fixed above for the settlement of certain transactions or classes of transactions involving special difficulties, more particularly for the benefit of Hungarian companies which have placed securities on money markets outside the territory of the former Austro-Hungarian Monarchy.

¹ Traduit par le Secrétariat de la Société des Nations.

¹ Translated by the Secretariat of the League of Nations.

² The exchange of ratifications took place at Berlin, September 28, 1922.

³ Vol. VI, page 188 of this Series.

Article 3.

(1) Whenever a friendly agreement has been concluded, the creditors and debtors shall jointly notify the French Clearing Office by registered letter, not later than August 1, 1921, so that the agreement may be registered. The French Clearing Office shall immediately communicate such draft agreements to the Hungarian Office.

(2) No friendly agreements providing for the allocation of any portion of Hungarian assets under sequestration in France for the purpose of liquidating a debt, shall be finally concluded without the consent of the French Clearing Office. The French Clearing Office shall inform the parties concerned of its consent, or shall state the reasons for its refusal within a period of six weeks. This period of six weeks shall be reckoned from the day on which the parties concerned, by means of a registered letter, notify the French Office of the arrangement. Such period may be extended as a result of an agreement between the Clearing Offices.

(3) The Hungarian Office and the Hungarian Government shall take all such measures as they may think fit to induce their nationals to conclude agreements, and to overcome, as far as possible, any obstacles which may arise.

The French Office, on its part, shall endeavour to promote the conclusion of such agreements.

Article 4.

As soon as creditors and debtors have satisfied themselves that they are unable to arrive at a friendly agreement, they shall notify their Clearing Offices of the fact and shall forward the draft agreement rejected by the other party or by themselves, as the case may be, and shall attach thereto the reasons for their refusal to accept it.

Article 5.

The Clearing Offices shall, on receipt, examine all drafts upon which French and Hungarians have been unable to conclude an agreement.

If the Offices consider that the refusal of the Hungarian debtor or French creditor is not justified, they will use their utmost endeavours to induce their respective nationals to accept the agreement. Should the Hungarian national refuse, the proposed agreement may, after receiving the approval of the two Offices, be submitted to the Mixed Arbitration Tribunal, which may, on its own authority either declare the agreement binding on the parties, or decide that the debt shall be settled through the Audit and Clearing Offices.

Article 6.

Debts due to French nationals by Hungarians which have not, within the period provided for in Article 3, formed the subject either of a friendly agreement to the French Office or of an agreement accepted as a result of intervention on the part of the two Offices, or of proceedings instituted in accordance with the previous Article, and all debts in regard to which draft agreements have been drawn up but not approved, shall be settled by the Audit and Clearing Offices in accordance with the following principles :

(1) In order to strengthen, in the interests of French creditors, the guarantees provided in the Treaty of Peace, the Hungarian Government accepts the principle of the joint responsibility of the Hungarian State and of individual Hungarian nationals, indebted to French creditors — without collective liability on the part of the debtors — as regards both the debts, including capital and interest, contracted in a currency other than Austro-Hungarian crowns and for the nominal amount of debts, including capital and interest, contracted in crowns. This joint responsibility is limited however, in the

case of each debtor, to the amount by which the total of his debts exceeds the total of his assets in France including the available net yield from the realisation of the securities taken on behalf of the French creditor, even if those securities are situated elsewhere than in France. The French Government, on the other hand, agrees that as regards the French Audit and Clearing Office, the Hungarian Government alone shall assume full and entire responsibility for the difference between the capital due in crowns and the capital in francs resulting from the application of Article 231, paragraph (*d*) of the Treaty of the Trianon.

(2) In order to enable the Hungarian Government and Hungarian debtors to discharge their debts, they shall be granted periods of grace under the conditions, and in accordance with the procedure laid down in the following Articles.

Article 7.

Subject to the provisions laid down in the following paragraphs : debts originally reckoned in gold, silver or in currency other than Austro-Hungarian crowns, whatever their nature may be, shall be paid by the Hungarian Audit and Clearing Office to the French Audit and Clearing Office under the conditions laid down in paragraph (*d*) of Article 231 of the Treaty of the Trianon. This settlement shall be effected in five equal yearly instalments : at the rate of one seventh of the debt during each of the first three years and two sevenths of the debt during the fourth and fifth years. The first annual instalment shall be paid two months after the expiration of the time limit fixed in Article 1 of the present Convention. Nevertheless, at the expiration of the third year, if the Commission mentioned below should so decide; the balance of the debt may be paid in a number of years which shall in no case exceed four, the amount of the instalments to be fixed by the Commission.

In order, however, to allow French creditors to benefit by any improvement of the Hungarian exchange, it is understood that the amount in crowns, equivalent to the payments to be made in francs by the Hungarian Audit and Clearing Office, shall, regardless of the actual rate of exchange at the date of payment, be equal to at least ten times the amount in francs of the instalment due, and shall never be less than the amount necessary to enable the Hungarian office to buy a sufficient sum in francs to pay to the French office the above-mentioned instalments.

Any surplus in francs which remains over and above the instalment due shall be devoted to the reduction by that amount of the instalments still outstanding beginning with the last.

With a view to the application of paragraph 1 of the present Article, a Commission shall be set up consisting of eight members, four of whom shall be appointed by each of the High Contracting Parties. The President of the Commission shall be selected from among the members appointed by the French Government, and shall have the casting vote. The Commission shall meet as soon as the third instalment falls due. In arriving at its decisions, it shall take into account the economic position of Hungary, with special reference to production, exportation of agricultural produce and the state of the exchange.

(*a*) With regard to debts arising out of guarantees furnished on behalf of a debtor who, by reason of the dismemberment of the former monarchy, is domiciled in any one of the States to which the territory of the Austro-Hungarian Monarchy has been transferred, or in one of the States created by the dismemberment of that monarchy, the French Government, in order to facilitate the recovery of these debts, agrees that such collateral obligations of Hungarian nationals may be transferred to the French Credit Office as security. In this case the French Credit Office will employ all judicial and extra-judicial means to recover the debts so transferred. The amounts obtained on these claims shall be placed to the credit of the Hungarian Office.

(*b*) In the case of all debts above mentioned, with the exception of those referred to in paragraph 1 of No. 22 of the Annex to Section III of Part X (Economic Clauses) of the Treaty of June 4, 1920, for the period preceding the signature of the present Convention, interest at the rate of 3 % shall be added to the capital at the end of each year and shall be payable without additional charges in the same currency as the principal debt.

For the period following the signature of the present Convention, the annual interest shall be 5 % without additional charges, up to the date of repayment.

(c) The settlement of the debts of Hungarian nationals due to French nationals, arising out of acceptance or guarantee credits opened by the latter for the import, from countries outside the continent, of raw materials and goods, shall form the subject of a subsequent agreement between the High Contracting Parties, in accordance with the spirit of the present Convention, and especially of paragraph (a) of the present Article. This agreement shall take into consideration the difficulties affecting this class of Hungarian debtors.

Article 8.

The payment to the French Audit and Clearing Office by the Hungarian Office of debts reckoned in crowns, which are referred to in Article 231 of the Treaty of June 4, 1920, shall be made as follows :

- (a) The nominal amount of the debts in crowns, plus the interest calculated on this amount, as provided under paragraph (b) of Article 7, shall be paid within four weeks after the expiration of the period laid down in Article 1 and shall be effected in French francs calculated at the average rate of the French franc and of the Hungarian crown as quoted in the Zürich Exchange during the two months preceding the date of payment ;
- (b) The Hungarian Government undertakes the entire responsibility for the payment of the difference between the amount repaid as above and the amount due in virtue of the rate of conversion provided for by Article 231, paragraph (d) of the Treaty of June 4, 1920 ; it is understood that this undertaking shall not prejudice the rights reserved by the Hungarian Government to receive any sums from its own nationals. The aforementioned difference shall be paid without interest in francs in eighteen equal annual instalments, the first of which shall be due at the beginning of the sixth year after the signature of the present Convention. In order to allow the French Office to benefit by any improvement in the Hungarian exchange rates, it is agreed that the amount in crowns to be appropriated to these annuities, without reference to the rate of exchange current on the date of payment, shall be at least tentimes as great as the amount in francs of the instalment due.

The balance in francs over and above the instalment due, which may result from the application of this provision shall be devoted to the successive diminution of the instalments due, beginning at the last. In order to permit the mobilisation of this class of credits the Hungarian Government declares itself ready to enter into negotiations with the French Government for the purpose of consolidating, by the creation of some negotiable security, the payments to be made to the Clearing Office.

If the Hungarian Government should proceed against a debtor being one of its nationals, for the difference in crowns for which it has assumed responsibility, and if the debtor has meanwhile concluded an amicable agreement with his French creditors, the Hungarian Government shall immediately inform the French Office.

In this case, French creditors who have concluded friendly agreements will have the right to request the French Office to consider these agreements null and void. Effect will be given to this request by means of an agreement between the two Offices, if the proceedings taken by the Hungarian Government tend to prevent the carrying out of the friendly agreement concluded between the parties concerned. If the request of the creditor is acceded to, the balance of the debt due to him shall be included in the amounts to be recovered by the French Audit and Clearing Office and in the distribution of funds to be made by this Office.

Article 9.

Whenever the Hungarian Debtor Clearing Office notifies the Creditor Clearing Office that a debtor has failed to comply with his obligation to pay an instalment for which he is liable by

virtue of Article 7 of the present Convention, the French Creditor Clearing Office shall be entitled to take direct proceedings against the Hungarian debtor under the conditions provided in No. 16 of the Annex to Section III of Part X (Economic Clauses) of the Treaty of June 4, 1920.

The sums obtained as the result of direct proceedings shall be placed to the credit of the Hungarian Office.

Article 10.

The whole of the property, rights and interests of Hungarian subjects in France, including their bank credits and excluding other debts due to them from French nationals, shall, under the conditions provided in Article 11, and subject to the exceptions laid down in Article 12, be devoted to the liquidation in favour of French nationals, of Hungarian debts arising out of the application of Sections III and IV of Part X (Economic Clauses) of the Treaty of the Trianon.

The French Government renounces the right conferred upon it by Article 232 paragraph *b* of the Treaty of June 4, 1920 with regard to any balance of any Hungarian assets which may remain.

Article 11.

(*a*) A Hungarian debtor may, subject to the control of the French Office, use the whole or such part as is necessary of his assets in France including any claims against French nationals to settle debts owing by him to French nationals, in accordance with Article 231 of the Treaty of June 4, 1920.

(*b*) Provided that their own liabilities have been settled, Hungarians who own assets in France may, with the consent of the French Office, earmark these assets up to an amount of 70 % of their value for the settlement, by friendly agreement, of debts incurred before and during the war by other Hungarian nationals and due to French creditors. The value of these assets shall be fixed in accordance with the provisions laid down in the French law of October 7, 1919, with regard to the liquidation of sequestrated property.

(*c*) The provisions of paragraphs (*a*) and (*b*) of the present Article shall apply to the Austro-Hungarian Bank.

(*d*) Any assets, including bank credits, which have not been disposed of under the provisions laid down in the previous three paragraphs, the amounts resulting from the reservations of 30 % provided for under paragraph (*b*) as well as the debts owed by French nationals to Hungarian nationals with the exception of bank credits, shall be taken over by the French Office, which shall place their equivalent value to the credit of the Hungarian Office. The French Office may form a fund for the settlement of the whole or part of amounts due to French creditors, giving preference to debts not exceeding 5,000 francs, or to debts owing to French nationals who can satisfy their Office that their economic situation would be seriously affected by the application of any of the provisions of the present Convention.

(*e*) Hungarian nationals who own assets in France shall be authorised, as from the date of signature of the present Convention, to realise these assets subject to the previous consent, and under the supervision of the French Office. The assets shall be realised in accordance with the provisions of French Law. The amounts thus realised shall be subject to the restrictions which apply or shall apply to the assets themselves.

(*f*) Hungarian nationals shall be authorised, by virtue of an agreement with the French Office, to offer an equivalent in lieu of property, rights or interests held by them in France. In the event of property, rights or interests owned by Hungarians in France, being realised by public auction or by any other means, the owners shall have the right to take part in the proceedings and to bid on an equal footing with all other foreigners, subject, of course, to right of preemption held by the French Government in accordance with the law of October 7, 1919.

(*g*) With regard to immovable property, the French Government reserves the right to notify the Hungarian Government of any immovable property which may not be utilised for the conclusion of amicable agreements.

Article 12.

Furniture, books, pictures, jewellery, plate and, in general all personal effects belonging to Hungarian private persons in France, shall be restored to their owners as soon as the latter shall have satisfied the French Office that they have discharged all their liabilities in France.

Unless otherwise decided by the French Government, the provisions of the present Article shall apply to business capital of moderate dimensions, small industries and plant which are connected with the production of food-stuffs.

Article 13.

Deeds or agreements drawn up by virtue of the present Convention, shall be exempt from all fiscal charges in Hungary, and from all registration and stamp duties in France.

The inclusion of a statement of stocks and shares in such deeds or agreements, or in a power of attorney granted for the purpose of drawing up such deeds or agreements, shall not render these documents liable to stamp duties either in France or in Hungary.

Article 14.

Debts incurred and property rights and interests lawfully acquired by nationals of the High Contracting Parties after August 6, 1919, the date on which commercial relations between France and Hungary were resumed, shall be governed solely by common law and neither the provisions of the Treaty of June 4, 1920 nor those of the present Convention may be cited in connection with such property.

Article 15.

The settlement of the debts referred to in Article 231, paragraphs 3 and 4, of the Treaty of the Trianon as well as that of private debts, may form the subject of special agreements between the Hungarian State and the French National Office for holders of foreign securities. Failing any such agreements, these debts shall be settled by the Audit and Clearing Offices in accordance with Article 231, paragraphs 3 and 4, and with the provisions of the present Convention.

Article 16.

In so far as they are compatible with the stipulations of the present Convention, the provisions laid down in Sections III, IV, V, VI and VII of the Annexes to Part X (Economic Clauses) of the Treaty of June 4, 1920, shall remain in force.

Article 17.

The High Contracting Parties agree to adopt or bring forward the administrative and legislative measures necessary for the execution of the present Convention.

The present Convention shall be ratified and the ratifications exchanged as soon as possible.

In testimony whereof the undersigned, being duly authorised so to do, have signed the present Convention, and thereto affixed their seals.

Done in duplicate at Paris, January 31, 1921.

(L. S.) PRAZNOVSZKY.

(L. S.) AR. BRIAND.