

DEBT FUNDING

Proposal signed at Washington June 18, 1923; acceptance signed at Washington June 19, 1923

Operative from December 15, 1922

Modified by agreement of June 4, 1932¹

Treasury Department print

PROPOSAL

Dated the eighteenth day of June, 1923, by His Britannic Majesty's Government (hereinafter called GREAT BRITAIN) to the Government of the United States of America (hereinafter called the UNITED STATES) regarding the funding of the debt of Great Britain to the United States

Whereas Great Britain is indebted to the United States as of 15th December, 1922, upon demand obligations in the principal amount of \$4,074,818,358.44, not including obligations in the principal amount of \$61,000,000, representing advances deemed to have been made to cover purchases of silver under the Act of Congress approved 23rd April, 1918, of which \$30,500,000 has been repaid in April and May, 1923, and the balance is to be repaid in 1924, pursuant to an agreement already made between the parties, and Great Britain is further indebted to the United States, as of 15th December, 1922, on account of interest accrued from 15th April and 15th May, 1919, on said \$4,074,818,358.44, principal amount of demand obligations:

And whereas Great Britain has power under the War Loan Act, 1919 (9 and 10 Geo. 5, cap 37) to issue securities in exchange for maturing securities issued under the War Loan Acts, 1914 to 1918:

And whereas the demand obligations now held by the United States Treasury were so issued, and will become payable upon the request of the United States Treasury for their payment:

Now therefore Great Britain proposes, in the exercise of the powers above recited and in consideration and in faith of the statements, conditions, premises and mutual covenants herein contained, to issue to the United States, in exchange for the demand obligations now held by the United States Treasury,

¹ *Post*, p. 491.

securities which shall be in their terms and conditions in accordance with the following provisions:

1. *Amount of Indebtedness*

The total amount of indebtedness to be funded is \$4,600,000,000, which has been computed as follows:

Principal amount of demand obligations to be funded	\$4, 074, 818, 358. 44	
Interest accrued thereon from 15th April and 15th May, 1919, respectively, to 15th December, 1922, at the rate of 4¼ per cent per annum	\$629, 836, 106. 99	
Less—Payments made by Great Britain on 16th October and 15th November, 1922, on account of interest, with interest thereon at 4¼ per cent per annum from said dates, respectively, to 15th December, 1922.	100, 526, 379. 69	
		529, 309, 727. 30
Total principal and interest, accrued and unpaid, as of 15th December, 1922	4, 604, 128, 085. 74	
Paid in cash by Great Britain, 15th March, 1923	4, 128, 085. 74	
Total indebtedness to be funded into bonds of Great Britain	4, 600, 000, 000. 00	

2. *Issue of Long-Time Obligations*

The securities, which it is proposed to issue at par as promptly as possible, shall be obligations in the principal amount of \$4,600,000,000, in the form of bonds to be dated 15th December, 1922, maturing 15th December, 1984, with interest payable semi-annually on 15th June and 15th December in each year at the rate of 3 per cent per annum from 15th December, 1922, to 15th December, 1932, and thereafter at the rate of 3½ per cent per annum until the principal thereof shall have been repaid.

3. *Method of Payment*

The bonds shall be payable as to both principal and interest in United States gold coin of the present standard of weight and fineness, or its equivalent in gold bullion, or, at the option of Great Britain, upon not less than thirty days' advance notice indicating the minimum amount which it is contemplated to pay at next due date in gold, cash or available funds, in any bonds of the United States issued or to be issued after 6th April, 1917, to be taken at par and accrued interest to the date of payment hereunder: *provided, however*, that Great Britain may at its option, upon not less than ninety days' advance notice, pay up to one-half of any interest accruing between 15th December, 1922, and 15th December, 1927, on any British bonds proposed to be issued hereunder, in bonds of Great Britain, maturing

15th December, 1984, dated and bearing interest from the respective dates when the interest to be paid thereby becomes due and substantially similar in other respects to the original bonds proposed to be issued hereunder.

All payments to be made by Great Britain on account of the principal or interest of any bonds proposed to be issued hereunder shall be made at the Treasury of the United States in Washington or, at the option of the Secretary of the Treasury of the United States, at the Federal Reserve Bank of New York and, if in cash, shall be made at the option of Great Britain in gold coin of the United States or in gold bullion or in immediately available funds (or, if in bonds of the United States, shall be in form acceptable to the Secretary of the Treasury of the United States). Appropriate notation of all payments on account of principal shall be made on the bonds proposed to be issued hereunder which may be held by the United States: *provided, however*, that all payments in respect of any marketable obligations issued under paragraph 9 of this proposal shall be made at the office of the fiscal agents of the British Government in the City of New York.

4. *Exemption from Taxation*

The principal and interest of all bonds issued or to be issued hereunder shall be exempt from all British taxation, present or future, so long as they are in the beneficial ownership of the United States or of a person, firm, association, or corporation neither domiciled nor ordinarily resident in the United Kingdom.

5. *Form of Bonds*

All bonds proposed to be issued hereunder to the United States shall be payable to the United States of America, or order, shall be issued, so far as possible, in denominations of \$4,600,000 each, and shall be substantially in the form set forth in the exhibit annexed hereto, and marked "Exhibit A." The bonds shall be signed for Great Britain by the Counsellor of His Britannic Majesty's Embassy at Washington.

6. *Repayment of Principal*

To provide for the repayment of the total principal of the debt before maturity of the \$4,600,000,000 principal amount of bonds to be issued, it is proposed that the bonds shall contain provisions the effect of which shall be that Great Britain shall make to the United States payments, on account of the original principal amount of the bonds to be issued, in the amounts and on the dates named in the following table:

UNITED KINGDOM

Date	Annual instalments to be paid on account of principal	Date	Annual instalments to be paid on account of principal
15th December:		15th December—Continued	
1923.....	\$23,000,000	1955.....	\$64,000,000
1924.....	23,000,000	1956.....	64,000,000
1925.....	24,000,000	1957.....	67,000,000
1926.....	25,000,000	1958.....	70,000,000
1927.....	25,000,000	1959.....	72,000,000
1928.....	27,000,000	1960.....	74,000,000
1929.....	27,000,000	1961.....	78,000,000
1930.....	28,000,000	1962.....	78,000,000
1931.....	28,000,000	1963.....	83,000,000
1932.....	30,000,000	1964.....	85,000,000
1933.....	32,000,000	1965.....	89,000,000
1934.....	32,000,000	1966.....	94,000,000
1935.....	32,000,000	1967.....	96,000,000
1936.....	32,000,000	1968.....	100,000,000
1937.....	37,000,000	1969.....	105,000,000
1938.....	37,000,000	1970.....	110,000,000
1939.....	37,000,000	1971.....	114,000,000
1940.....	42,000,000	1972.....	119,000,000
1941.....	42,000,000	1973.....	123,000,000
1942.....	42,000,000	1974.....	127,000,000
1943.....	42,000,000	1975.....	132,000,000
1944.....	46,000,000	1976.....	136,000,000
1945.....	46,000,000	1977.....	141,000,000
1946.....	46,000,000	1978.....	146,000,000
1947.....	51,000,000	1979.....	151,000,000
1948.....	51,000,000	1980.....	156,000,000
1949.....	51,000,000	1981.....	162,000,000
1950.....	53,000,000	1982.....	167,000,000
1951.....	55,000,000	1983.....	175,000,000
1952.....	57,000,000	1984.....	175,000,000
1953.....	60,000,000		
1954.....	64,000,000	Total.....	4,600,000,000

Provided, however, that Great Britain may at its option, upon not less than ninety days' advance notice, postpone any payment of principal falling due as hereinabove provided to any subsequent 15th June or 15th December, not more than two years distant from its due date, but only on condition that, if Great Britain shall at any time exercise this option as to any payment of principal, the payment falling due in the next succeeding year cannot be postponed to any date more than one year distant from the date when it becomes due, unless and until the payment previously postponed shall actually have been made, and the payment falling due in the second succeeding year cannot be postponed at all unless and until the payment of principal due two years previous thereto shall actually have been made.

In the event of Great Britain issuing bonds to the United States in payment of interest accruing between 15th December, 1922, and 15th December, 1927, as proposed in paragraph 3 above, the bonds so issued shall contain provision for the payment of their principal before maturity through annual

instalments on account of principal corresponding substantially to the schedule of payments on account of principal appearing in the table hereinabove set forth.

7. Payments before Maturity

Great Britain may at its option, on any interest date or dates upon not less than ninety days' advance notice, make advance payments of principal, in addition to the payments required to be made by the provisions of the bonds in accordance with paragraph 6 of this proposal. Any such additional payments shall first be applied to the principal of any bonds which shall have been issued hereunder on account of interest accruing between 15th December, 1922, and 15th December, 1927, and then to the principal of any other bonds which shall have been issued hereunder. Any payments made to the United States under this provision shall be in amounts of \$1,000,000 or multiples thereof.

8. Calculation of Interest

Notwithstanding anything herein contained, the interest payable from time to time on the bonds proposed to be issued shall be computed on the amount of the principal outstanding on the previous interest date, with adjustments in respect of any payment on account of principal which may have been made since the previous interest date.

9. Exchange for Marketable Obligations

Great Britain will issue to the United States at any time or from time to time, at the request of the Secretary of the Treasury of the United States, in exchange for any or all of the bonds proposed to be issued hereunder and held by the United States, definitive engraved bonds in form suitable for sale to the public, in such amounts and denominations as the Secretary of the Treasury of the United States may request, in bearer form, with provision for registration as to principal, and/or in fully registered form, and otherwise on the same terms and conditions, as to dates of issue and maturity, rate or rates of interest, exemption from taxation, payment in bonds of the United States issued or to be issued after 6th April, 1917, payment before maturity, and the like, as the bonds surrendered on such exchange, except that the bonds shall carry such provision for repayment of principal as shall be agreed upon; provided that, if no agreement to the contrary is arrived at, any such bonds shall contain separate provision for payments before maturity, conforming substantially to the table of repayments of principal prescribed by paragraph 6 of this proposal and in form satisfactory to the Secretary

of the Treasury of the United States, such payments to be computed on a basis to accomplish the retirement of any such bonds by 15th December, 1984, and to be made through annual drawings for redemption at par and accrued interest. Any payments of principal thus made before maturity on any such bonds shall be deducted from the payments required to be made by Great Britain to the United States in the corresponding years under the terms of the table of repayments of principal prescribed in paragraph 6 of this proposal.

Great Britain will deliver definitive engraved bonds to the United States in accordance herewith within six months of receiving notice of any such request from the Secretary of the Treasury of the United States, and pending the delivery of the definitive engraved bonds will, at the request of the Secretary of the Treasury of the United States, deliver temporary bonds or interim receipts in a form to be agreed upon within three months of the receipt of such request. The United States, before offering any such bonds or interim receipts for sale in Great Britain, will first offer them to Great Britain for purchase at par and accrued interest and Great Britain shall likewise have the option, in lieu of issuing to the United States any such bonds or interim receipts, to make advance redemption, at par and accrued interest, of a corresponding amount of bonds issued hereunder and held by the United States.

10. Cancellation and Surrender of Demand Obligations

Upon the delivery to the United States of the \$4,600,000,000 principal amount of bonds proposed to be issued hereunder, the United States will cancel and surrender to Great Britain, through the British Ambassador at Washington, or his representative, at the Treasury of the United States in Washington, the demand obligations of Great Britain in the principal amount of \$4,074,818,358.44 described in the preamble to this proposal.

11. Notices

Any notice, request or consent under the hand of the Secretary of the Treasury of the United States shall be deemed and taken as the notice, request, or consent of the United States, and shall be sufficient if delivered at the British Embassy at Washington or at the office of the Permanent Secretary of the British Treasury in London; and any notice, request, or election from or by Great Britain shall be sufficient if delivered to the American Embassy in London or to the Secretary of the Treasury of the United States at the Treasury of the United States in Washington. The United States in its discretion may waive any notice required hereunder, but any such

waiver shall be in writing and shall not extend to or affect any subsequent notice or impair any right of the United States to require notice hereunder.

Signed on behalf of the Lords Commissioners of His Majesty's Treasury, this eighteenth day of June, 1923.

Washington.

A. GEDDES,
*His Britannic Majesty's Ambassador
Extraordinary and Plenipotentiary*

EXHIBIT "A"

(Form of Bond)

THE GOVERNMENT OF THE UNITED KINGDOM

Sixty-two year 3-3½ per cent Gold Bond

Dated 15th December, 1922. Maturing 15th December, 1984.

\$

No.

The Government of the United Kingdom, hereinafter called Great Britain, for value received, promises to pay to the United States of America, hereinafter called the United States, or order, on the 15th day of December, 1984, the sum of Four Million Six Hundred Thousand Dollars (\$4,600,000), less any amount which may have been paid upon the principal hereof as endorsed upon the back hereof, and to pay interest upon said principal sum semiannually on the fifteenth day of June and December in each year at the rate of three per cent per annum from 15th December, 1922, to 15th December, 1932, and at the rate of three and one-half per cent per annum thereafter until the principal hereof shall have been paid. All payments on account of principal and/or interest shall be made at the Treasury of the United States in Washington, or, at the option of the Secretary of the Treasury of the United States, at the Federal Reserve Bank of New York. This bond is payable as to both principal and interest in gold coin of the United States of America of the present standard of weight and fineness or in its equivalent in gold bullion, or, at the option of Great Britain, upon not less than thirty days' notice indicating the minimum amount which it is contemplated to pay at next due date in gold, cash or available funds, in any bonds of the United States issued or to be issued after 6th April, 1917, to be taken at par and accrued interest to the date of payment hereunder; *provided, however,* that Great Britain may at its option, upon not less than ninety days' advance notice, pay up to one-half of any interest accruing hereon between 15th December, 1922, and 15th December, 1927, in bonds of Great Britain dated and bearing interest from the respective dates when the interest to be paid thereby becomes due, and substantially similar in maturity and other respects to this bond.

The principal and interest of this bond shall be exempt from all British taxation, present or future, so long as it is in the beneficial ownership of the United States, or of a person, firm, association or corporation neither domiciled or ordinarily resident in the United Kingdom.

In order to provide for the repayment of the principal of this bond before maturity, Great Britain will make to the United States payments of principal in the amounts, and on the dates shown in the following table:

UNITED KINGDOM

Date	Annual instalments to be paid on account of principal	Date	Annual instalments to be paid on account of principal
15th December:		15th December—Continued	
1923.....	\$23,000	1955.....	\$64,000
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1925.....	24,000	1957.....	67,000
1926.....	25,000	1958.....	70,000
1927.....	25,000	1959.....	72,000
1928.....	27,000	1960.....	74,000
1929.....	27,000	1961.....	78,000
1930.....	28,000	1962.....	78,000
1931.....	28,000	1963.....	83,000
1932.....	30,000	1964.....	85,000
1933.....	32,000	1965.....	89,000
1934.....	32,000	1966.....	94,000
1935.....	32,000	1967.....	96,000
1936.....	32,000	1968.....	100,000
1937.....	37,000	1969.....	105,000
1938.....	37,000	1970.....	110,000
1939.....	37,000	1971.....	114,000
1940.....	42,000	1972.....	119,000
1941.....	42,000	1973.....	123,000
1942.....	42,000	1974.....	127,000
1943.....	42,000	1975.....	132,000
1944.....	46,000	1976.....	136,000
1945.....	46,000	1977.....	141,000
1946.....	46,000	1978.....	146,000
1947.....	51,000	1979.....	151,000
1948.....	51,000	1980.....	156,000
1949.....	51,000	1981.....	162,000
1950.....	53,000	1982.....	167,000
1951.....	55,000	1983.....	175,000
1952.....	57,000	1984.....	175,000
1953.....	60,000		
1954.....	64,000	Total.....	4,600,000

Provided, however, that Great Britain may, at its option, upon not less than ninety days' advance notice, postpone any payment of principal falling due, as hereinabove provided, to any subsequent 15th June or 15th December, not more than two years distant from its due date, but only on condition that if Great Britain shall at any time exercise this option as to any payment of principal, the payment falling due in the next succeeding year cannot be postponed to any date more than one year distant from the date when it becomes due unless and until the payment previously postponed shall actually have been made, and the payment falling due in the second succeeding year cannot be postponed at all unless and until the payment of principal due two years previous thereto shall actually have been made.

This bond may be paid on any interest date before maturity in whole or in part, in amounts of \$1,000,000, or multiples thereof, at the option of Great Britain, on not less than ninety days' advance notice.

This bond is issued by Great Britain pursuant to the proposal, dated the 18th day of June, 1923, and to the Acceptance of proposal, dated the 19th day of June, 1923.

IN WITNESS WHEREOF, Great Britain has caused this bond to be executed in its behalf by the Counselor of His Britannic Majesty's Embassy at Washington, thereunto duly authorized.

For the United Kingdom:

Dated 15th December, 1922.

(Back)

The following amounts have been paid upon the principal amount of this bond:

Date.

Amount paid.

ACCEPTANCE

JUNE 19, 1923

The Right Honorable,
Sir AUCKLAND GEDDES, G.C.M.G., K.C.B.,
*Ambassador Extraordinary and Plenipotentiary,
The British Embassy,
Washington, D.C.*

MY DEAR MR. AMBASSADOR: I have the honor to acknowledge the receipt of your note of June 18, 1923, transmitting the proposal dated the 18th day of June, 1923, by His Britannic Majesty's Government to the Government of the United States of America regarding the funding of the debt of Great Britain to the United States. This proposal is agreeable to the World War Foreign Debt Commission, and I am writing for the Commission and by its authority to advise you that the proposal is hereby accepted on behalf of the United States of America, pursuant to the authority conferred by the Act of Congress approved February 9, 1922, as amended by the Act of Congress approved February 28, 1923. In accordance therewith I am writing to ask that the bonds as contemplated thereby may be delivered as soon as possible to the Secretary of the Treasury of the United States in exchange for the demand obligations amounting to \$4,074,818,358.44 now held by him which are otherwise now payable.

Very truly yours,

A. W. MELLON,
*Secretary of the Treasury, and Chairman of
the World War Foreign Debt Commission*

Approved:

WARREN G. HARDING,
President.

June 19, 1923.