

GERMAN REPARATIONS.

Below is given the text of the protocol of the Reparations Commission, stating the terms of the reparations settlement between Germany and the Allied Governments. The protocol is published in the form in which it was furnished to the Federal Reserve Board by the French High Commission.

PROTOCOL OF THE REPARATIONS COMMISSION.

The Reparations Commission has, in accordance with article 232 of the Treaty of Versailles, proceeded to define the time and manner for securing and discharging the entire obligation of Germany for reparation under articles 231, 232, and 233 of the treaty, as follows:

This determination is without prejudice to the duty of Germany to make restitution under article 238 or to other obligations under the treaty.

(1) Germany will perform in the manner laid down in this schedule her obligation to pay the total fixed in accordance with articles 231, 232, and 233 of the Treaty of Versailles by the commission, viz, "132,000,000,000 gold marks, less (a) the amount already paid on account of reparation; (b) sums which may from time to time be credited to Germany in respect of State properties in ceded territory, etc.; and (c) any sums received from other enemy or ex-enemy powers in respect of which the commission may decide that credit should be given to Germany, plus the amount of the Belgian debt to the Allies, the amounts of these deductions and additions to be determined later by the commission."

(2) Germany shall create and deliver to the commission in substitution for bonds already delivered or deliverable under paragraph 12c of Annex 2, Part VIII, Treaty of Versailles, bonds hereafter described.

(a) Bonds for the amount of 12,000,000,000 gold marks. These bonds shall be created and delivered at the latest on July 1, 1921. There shall be an annual payment from funds to be provided by Germany as prescribed in this schedule in each year from May 1, 1921, equal in amount to 6 per cent of the nominal value of the issued bonds, out of which there shall be paid interest at 5 per cent per annum payable half yearly on the bonds outstanding at any time, and the balance to a sinking fund for redemption of bonds by annual drawings at par. These bonds are hereinafter referred to as bonds of Series A.

(b) Bonds for a further amount of 38,000,000,000 gold marks. These bonds shall be

created and delivered at the latest on November 1, 1921. There shall be an annual payment from funds to be provided by Germany as prescribed in this schedule in each year from November 1, 1921, equal in amount to 6 per cent of the nominal value of the issued bonds, out of which there shall be paid interest at 5 per cent per annum, payable half yearly, on the bonds outstanding at any time and the balance to a sinking fund for the redemption of the bonds by annual drawings at par. These bonds are hereinafter referred to as bonds of Series B.

(c) Bonds for 82,000,000,000 gold marks, subject to such subsequent adjustment by creation or cancellation of bonds as may be required under the first paragraph. These bonds shall be created and delivered to the Reparations Commission without coupons attached at the latest on November 1, 1921. They shall be issued by the commission as and when it is satisfied that the payments which Germany is required to make in pursuance of this schedule are sufficient to provide for the payment of interest and sinking fund on such bonds. There shall be an annual payment from funds to be provided by Germany as prescribed in this schedule in each year from the date of issue by the Reparations Commission equal in amount to 6 per cent of the nominal value of the issued bonds, out of which shall be paid interest at 5 per cent per annum payable half yearly on the bonds outstanding at any time and the balance to a sinking fund for redemption of the bonds by annual drawings at par. The German Government shall supply to the commission coupon sheets for such bonds as and when issued by the commission. These bonds are hereinafter referred to as bonds of Series C.

(3) The bonds provided for in article 2 shall be signed by the German Government as bearer bonds in such form and in such denominations as the commission shall prescribe for the purpose of making them marketable, and shall be free of all German taxes and charges of every description, present or future.

Subject to the provisions of articles 248 and 251, Treaty of Versailles, these bonds shall be secured on the whole assets and revenues of the German Empire and the German States, and in particular on the assets and revenues specified in article 7 of this schedule. The service of bonds A, B, and C shall be a first, second, and third charge, respectively, on said assets and revenues, and shall be met by payments to be made by Germany under this schedule.

(4) Germany shall pay in each year until the redemption of bonds provided for in article 2 by means of a sinking fund attached thereto: "(1) The sum of 2,000,000,000 gold marks;

(2) (a) a sum equivalent to 25 per cent of the value of her exports in each period of twelve months, starting from May 1, 1921, as determined by the commission; or (b) alternatively, an equivalent amount as fixed in accordance with any other index proposed by Germany and accepted by the commission; (3) a further sum equivalent to 1 per cent of the value of her exports, as above defined, or, alternatively, an equivalent amount fixed as provided in paragraph *b* above: *Provided always*, That when Germany shall have discharged her obligations under this schedule, other than her liability in respect of outstanding bonds, the amount to be paid in each year under this paragraph shall be reduced to the amount required in that year to meet the interest and sinking fund on the bonds then outstanding."

Subject to the provisions of article 5, the payments to be made in respect of paragraph 1 above shall be made quarterly on or before January 15, April 15, July 15, and October 15, each year, and payments in respect of paragraphs 2 and 3 above shall be made quarterly on or before February 15, May 15, August 15, and November 15 and calculated on the basis of exports in the last quarter but one preceding that quarter, the first payment to be made on or before November 15, 1921, to be calculated on the basis of exports in the three months ending July 31, 1921.

(5) Germany shall pay within twenty-five days from this notification 1,000,000,000 gold marks in gold or approved foreign currencies or approved foreign bills or in drafts at three months on the German Treasury, indorsed by approved German banks and payable in pounds sterling in London, in francs in Paris, in dollars in New York, or any currency in any other place designated by the commission. These payments will be treated as the two first quarterly instalments of payments provided for in article 4, paragraph 1.

(6) The commission will within twenty-five days from this notification, in accordance with paragraph 12A, Annex 2, of the treaty as amended, establish a special subcommission to be called the Committee on Guarantees. The Committee on Guarantees will consist of representatives of the Allied Powers now represented on the Reparations Commission, including a representative of the United States in the event of that Government desiring to make an appointment. The committee shall comprise not more than three representatives of nationals of other Powers whenever it shall appear to the commission that a sufficient portion of the bonds to be issued under this schedule is held by nationals of such Powers to

justify their representation on the Committee on Guarantees.

(7) The Committee on Guarantees is charged with the duty of securing the application of articles 241 and 248 of the Treaty of Versailles.

It shall supervise the application to the service of the bonds provided for in article 2 of the funds assigned as security for the payments to be made by Germany under paragraph 4. The funds to be assigned shall be: "(a) The proceeds of all German maritime and land customs and duties, and in particular the proceeds of all import and export duties; (b) proceeds of a levy of 25 per cent on the value of all exports from Germany except those exports upon which a levy of not less than 25 per cent is applied under legislation referred to in article 9; (c) the proceeds of such direct or indirect taxes or any other funds as may be proposed by the German Government and accepted by the Committee on Guarantees in addition to, or in substitution for, the funds specified in *a* or *b* above."

The assigned funds shall be paid to the accounts to be opened in the name of the committee and supervised by it in gold or in foreign currencies approved by the committee. The equivalent of the 25 per cent levy referred to in paragraph *b* shall be paid in German currency by the German Government to the exporter.

The German Government shall notify to the Committee on Guarantees any proposed action which may tend to diminish the proceeds of any of the assigned funds and shall, if the committee demands it, substitute some other approved funds.

The Committee on Guarantees shall be charged further with the duty of conducting on behalf of the commission the examination provided for in paragraph 12*b* of Annex 2 to Part VIII, of the Treaty of Versailles, and of verifying on behalf of the commission and, if necessary, of correcting the amount declared by the German Government as the value of German exports for the purpose of calculation of the sum payable in each year or quarter under Article IV, paragraph 2, and the amounts of the funds assigned under this article to the service of the bonds. The committee shall be entitled to take such measures as it may deem necessary for the proper discharge of its duties.

The Committee on Guarantees is not authorized to interfere in the German administration

(8) In accordance with paragraph 19, clause 2 of Annex 2, as amended, Germany shall or demand, subject to prior approval of the commission, provide such material and labor as any of the Allied Powers may require toward restoration of the devastated areas of that

Power, or enable any Allied Power to proceed with the restoration or the development of its industrial or economic life. The value of such material and labor shall be determined in each case by a valuer appointed by Germany and an agreement, by a referee nominated by the commission. This provision as to valuation does not apply to deliveries under Annexes 3, 4, 5, and 6, Part VIII, of the treaty.

(9) Germany shall take every necessary measure of legislative and administrative action to facilitate the operation of the German Reparation (Recovery) Act of 1921 in force in the United Kingdom and of any similar legislation enacted by any Allied Power so long as such legislation remains in force.

The payments effected by the operation of such legislation shall be credited to Germany on account of payments to be made by her under Article IV, clause 2. The equivalent in German currency shall be paid by the German Government to the exporter.

(10) Payments for all services rendered, all deliveries in kind, and all receipts under article 9 shall be made to the Reparations Commission by the Allied Power receiving the same in cash or current coupons within one month of the receipt thereof and shall be credited to Germany on account of payments to be made by her under article 4.

(11) The sums payable under article 4, clause 3, and any surplus of receipts by the commission under article 4, clauses 1 and 2, in each year not required for payment of interest and sinking fund on bonds outstanding in that year, shall be accumulated and applied so far as they will extend, at such times as the commission may think fit, by the commission in paying simple interest not exceeding $2\frac{1}{2}$ per cent per annum from May 1, 1921, to May 1, 1926, and thereafter at a rate not exceeding 5 per cent on the balance of the debt not covered by bonds then issued. The interest on such balance of the debt shall not be cumulative. No interest therefor shall be payable otherwise than as provided in this paragraph.

(12) The present schedule does not modify the provisions for securing the execution of the Treaty of Versailles which are applicable to the stipulations of the present schedule.

THE GOLD SITUATION.

Gold holdings and gold movements are of particular interest at the present time in view of the large importation of gold into this country and the changes in the main currents of the international gold movements. The following discussion deals primarily with the most important developments since the time of the armistice.

GOLD RESERVES.

Distribution of gold reserves prior to the war, at the time of the armistice, and at the present time is shown in the table below. The figures refer to the gold holdings of the central banks and of various Government agencies. Figures showing percentage distribution are also given:

GOLD RESERVES OF THE PRINCIPAL COUNTRIES BEFORE THE WAR, AT THE TIME OF THE ARMISTICE, AND AT THE LATEST AVAILABLE DATE.

[In thousands of dollars.]

| | Gold holdings. | | | Percentage distribution. | | |
|--------------------|----------------|-----------|-----------|--------------------------|--------|--------|
| | 1913 | 1918 | 1921 | 1913 | 1918 | 1921 |
| United States..... | 691,514 | 2,245,720 | 2,529,571 | 21.74 | 37.74 | 37.00 |
| United Kingdom... | 170,245 | 523,632 | 763,350 | 5.35 | 8.80 | 11.16 |
| France..... | 678,856 | 664,017 | 688,309 | 21.34 | 11.16 | 10.07 |
| Italy..... | 288,103 | 243,566 | 236,526 | 9.06 | 4.09 | 3.46 |
| Belgium..... | 59,131 | | 51,447 | 1.86 | | .75 |
| Germany..... | 278,687 | 538,861 | 260,019 | 8.76 | 9.06 | 3.80 |
| Austria-Hungary... | 251,421 | 53,074 | 13 | 7.90 | .89 | |
| Sweden..... | 27,372 | 76,532 | 75,533 | .86 | 1.29 | 1.10 |
| Norway..... | 12,846 | 32,691 | 39,474 | .40 | .55 | .57 |
| Denmark..... | 19,666 | 52,159 | 60,989 | .61 | .88 | .89 |
| Netherlands..... | 60,898 | 277,155 | 245,612 | 1.91 | 4.66 | 3.59 |
| Spain..... | 92,490 | 430,072 | 479,198 | 2.91 | 7.24 | 7.01 |
| Switzerland..... | 32,801 | 80,041 | 104,895 | 1.03 | 1.34 | 1.53 |
| Canada..... | 115,375 | 121,261 | 83,381 | 3.63 | 2.04 | 1.22 |
| Argentina..... | 224,989 | 269,628 | 450,057 | 7.07 | 4.53 | 6.59 |
| Japan..... | 64,963 | 225,821 | 558,819 | 2.04 | 3.79 | 8.17 |
| India..... | 72,780 | 63,842 | 117,575 | 2.29 | 1.07 | 1.72 |
| Java..... | 10,027 | 51,600 | 90,483 | .32 | .87 | 1.32 |
| Rumania..... | 29,242 | 2 | 329 | .92 | | .05 |
| Total..... | 3,181,406 | 5,949,674 | 6,835,580 | 100.00 | 100.00 | 100.00 |

The first thing to be noted is the great increase in the gold reserves between 1913 and 1918, and the further increase since the armistice. These increases represent to a large extent the concentration and impounding of gold by central banks and Governments after the outbreak of the war for the purpose