

No. 2254

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**UNITED KINGDOM OF GREAT BRITAIN  
AND NORTHERN IRELAND  
and  
JAPAN**

**Exchange of notes (with appendix) constituting an agreement regarding the settlement of the Japanese pre-war external bonded debts (sterling bonds). London, 21 November 1952**

*Official text: English.*

*Registered by the United Kingdom of Great Britain and Northern Ireland on 31 August 1953.*

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**ROYAUME-UNI DE GRANDE-BRETAGNE  
ET D'IRLANDE DU NORD  
et  
JAPON**

**Échange de notes (avec annexe) constituant un accord relatif au règlement des dettes extérieures japonaises d'avant-guerre contractées sous forme d'obligations (obligations libellées en sterling). Londres, 21 novembre 1952**

*Texte officiel anglais.*

*Enregistré par le Royaume-Uni de Grande-Bretagne et d'Irlande du Nord le 31 août 1953.*

No. 2254. EXCHANGE OF NOTES CONSTITUTING AN AGREEMENT<sup>1</sup> BETWEEN THE GOVERNMENT OF THE UNITED KINGDOM OF GREAT BRITAIN AND NORTHERN IRELAND AND THE GOVERNMENT OF JAPAN REGARDING THE SETTLEMENT OF THE JAPANESE PRE-WAR EXTERNAL BONDED DEBTS (STERLING BONDS). LONDON, 21 NOVEMBER 1952

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I

*The Assistant Under-Secretary of State, Foreign Office, to the Counsellor  
(Financial) of the Japanese Embassy at London*

FOREIGN OFFICE

London, 21st November, 1952

Dear Mr. Ihara,

You have recently held talks with representatives of Her Majesty's Government, in which the following arrangements were reached in connexion with the settlement of Japanese sterling debts :—

- (a) So long as the payments relations between the United Kingdom and Japan are on the sterling basis set out in the present Sterling Payments Agreement,<sup>2</sup> such sterling bondholders as are entitled under their original loan contracts to receive at their option payment in currencies other than sterling shall be paid in sterling as provided for in Article 9 of the Memorandum of Agreement on the Settlement of the Japanese pre-war External Bonded Debts (Sterling Bonds) signed in New York on 26th September, 1952.<sup>3</sup>
- (b) Should payments between the United Kingdom and Japan at any time before the redemption of the bonds referred to in Article 9 of the aforesaid Agreement of 26th September, 1952, be on a basis other than the sterling basis referred to in (a) above, Her Majesty's Government in the United Kingdom and the Government of Japan will discuss, having regard to the nature of their payments arrangements, to what extent, if any, the Govern-

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<sup>1</sup> Came into force on 21 November 1952, by the exchange of the said notes.

<sup>2</sup> United Nations, *Treaty Series*, Vol. 149, p. 227, and Vol. 160, p. 411.

<sup>3</sup> See p. 308 of this volume.

ment of Japan should be called upon to fulfil their obligation to pay in the currencies, other than sterling, specified in the original loan contracts.

I hereby confirm that these arrangements have been accepted by Her Majesty's Government in the United Kingdom. I would be grateful if you would confirm that they are also accepted by the Government of Japan.

Yours sincerely,

R. H. SCOTT

II

*The Counsellor (Financial) of the Japanese Embassy at London to the Assistant Under-Secretary of State, Foreign Office*

EMBASSY OF JAPAN  
UNITED KINGDOM

London, 21st November, 1952

Dear Mr. Scott,

I have received your letter of 21st November, 1952, in which you refer to the following arrangements reached between representatives of Her Majesty's Government and myself :—

[See note I]

I note that these arrangements have been accepted by Her Majesty's Government in the United Kingdom.

I have pleasure in confirming that the arrangements are also accepted by the Government of Japan.

Yours sincerely,

Takashi IHARA  
Counsellor (Financial)

## APPENDIX

MEMORANDUM OF AGREEMENT ON THE SETTLEMENT OF THE  
JAPANESE PRE-WAR EXTERNAL BONDED DEBTS

As a result of the conversations between the Council of the Corporation of Foreign Bondholders, represented by Sir Thomas Frazer on the one part (hereinafter referred to as the Council) and the Government of Japan represented by Juichi Tsushima on the other part (hereinafter referred to as the Government) the Government is ready to make the offer set out below to the holders of the bonds listed below, and the Council is willing to recommend to the bondholders the acceptance of the offer.

*Article 1*

## BONDS COVERED BY THE AGREEMENT

The bonds covered by this Agreement are as follows :—

- (1) Imperial Japanese Government 4 per cent. Sterling Loan of 1899 for £10,000,000.
- (2) Imperial Japanese Government 5 per cent. Sterling Loan of 1907, £23,000,000.
- (3) Imperial Japanese Government 4 per cent. Sterling Loan of 1910 for £11,000,000.
- (4) South Manchurian Railway Company Limited, £4,000,000 5 per cent. Sterling Bonds.
- (5) Imperial Japanese Government 6 per cent. Sterling Loan of 1924. Issue of £25,000,000.
- (6) Imperial Japanese Government 5½ per cent. Conversion Loan of 1930 for £12,500,000.
- (7) Osaka City Harbour Construction Loan.\*
- (8) City of Nagoya 5 per cent. Sterling Loan for £800,000.
- (9) City of Yokohama 5 per cent. Sterling Bonds for £716,500.
- (10) City of Tokyo 5 per cent. Loan of 1912. Sterling Bonds for £5,175,000.
- (11) City of Tokyo 5½ per cent. Loan of 1926 for £6,000,000.
- (12) Tokyo Electric Light Company Limited (Tokyo Dento Kabushiki Kaisha), 6 per cent. First Mortgage Bonds (Sterling Series).

\* Only those Bonds, with stamped certificates indicating : " This Bond or Coupons, if presented at Messrs. M. Samuel & Co., London, will be duly paid at the exchange of 2s. 0 ½ d. per yen ".

*Article 2*

## ASSUMPTION OF LIABILITIES BY THE GOVERNMENT AND ELIMINATION OF SECURITY AND OTHER CLAUSES

The liabilities for the bonds of the corporate bodies as specified in (7) to (12) both inclusive in Article 1 having been assumed by the Government, the corporate bodies concerned have been relieved of the liabilities accordingly. The clauses dealing with security, liens and charges on properties, revenues and income and all other clauses pertaining thereto under the original contracts of, and/or indenture for, the bonds of the corporate bodies as specified above, have been eliminated simultaneously with the assumption of the liabilities by the Government.

*Article 3*

## EXTENSION OF MATURITY DATES

The maturity dates under the original contracts and/or indenture thereof of the bonds specified in (2), (3), (6), (8), (10) and (12) in Article 1 shall be extended for the exact period of fifteen years, while the maturity dates of the bonds specified in Article 1 other than the bonds specified above shall be extended for the exact period of ten years. It is understood, however, that the Government reserves the right to redeem, at any time prior to the new maturity dates, all or part of any of the bonds specified in Article 1 in accordance with the provisions in the original contract of, and/or indenture for, the respective bonds.

*Article 4*

## SINKING FUND OPERATIONS

With regard to the sinking fund clauses contained in the original contracts of, and/or indenture for, the bonds specified in Article 1, the sinking fund operations shall be resumed in the way stipulated in the original contracts and/or indenture as from the year 1953 with adjustments in the amounts, dates and periods. The understanding is that the sinking funds will be reduced to give effect to the reduced amount of outstanding bonds which has been produced by conversion. The revised sinking fund in each instance is to be calculated on the basis of the following formula: the revised sinking fund equals the sinking fund which would have been paid in 1942 under the original contract multiplied by a factor, the numerator of which is the principal amount of bonds outstanding at present and the denominator of which is the principal amount of bonds outstanding in 1942. The resulting amounts, dates and periods are embodied in Table 1 attached hereto which is tentatively accepted as carrying out this principle, subject to verification. If all bonds of any issue have been retired, sinking fund payments as to such issue shall cease.

*Article 5*

## INTEREST FOR THE EXTENDED PERIODS AFTER ORIGINAL MATURITY DATES

For the extended periods after original maturity dates as prescribed in Article 3, the respective bonds shall bear interest at the same rate and with the same semi-annual payment rates of each extended year as specified in the original contracts and/or indenture. As may be arranged with the Council, new coupon sheets corresponding to such periods (bearing the payment dates consecutive to that of the last coupon attached or to be attached to the respective bonds under the original contracts and/or indenture) shall be attached to the respective bonds where necessary. In such cases as new coupon sheets are not ready by the dates of actual payment, scrip or other certificates may be delivered so as to serve the purpose of the interest payment.

*Article 6*

## EXTENSION OF PAYMENT DATES AND METHOD OF PAYMENT OF INTEREST

The coupons bearing payment dates prior to 22nd December, 1942, shall be payable on 22nd December, 1952. The payment dates of the coupons (including those coupons, scrip or other certificates prescribed in Article 5) bearing payment dates on or after 22nd December, 1942, and prior to 26th September, 1952, shall be extended in each case for the exact period of ten years, and payment shall be made on the new dates.

Coupons (including those coupons, scrip or other certificates prescribed in Article 5) bearing payment dates on or after 26th September, 1952, and prior to 22nd December, 1952, shall be payable on 22nd December, 1952.

Coupons (including those coupons, scrip or other certificates prescribed in Article 5) bearing payment dates on or after 22nd December, 1952, shall be payable on the dates specified on the coupons.

*Article 7*

## FISCAL AGENTS AND PAYING AGENTS

The Yokohama Specie Bank, Ltd., having been succeeded by the Bank of Tokyo, Ltd., the latter bank shall act in the place of the former for the bonds in which the former was named as fiscal agent. In other cases the existing fiscal agents or paying agents shall remain so far as practicable as stipulated in the original contracts or indenture.

*Article 8*

## MAINTENANCE OF ORIGINAL TERMS AND CONDITIONS

It is understood that the terms and conditions under the original contracts of, and/or indenture for, the bonds specified in Article 1 shall be maintained except those articles, clauses and phrases which are specifically replaced or eliminated by the other Articles of this Agreement or are inconsistent with such amendments.

*Article 9*

## CURRENCY OPTION CLAUSES

Some loan contracts contain a currency option, *i.e.*, at the option of the bondholders payment may be required in some currency other than the currency in which the loan was issued.

It is understood that the question as to whether and when this obligation is to be fulfilled in the alternative currencies provided in the loan contract is to be discussed as soon as can be arranged between the Government of Japan and Her Majesty's Government.

Without prejudice to any agreement which may thus be reached between the two Governments as to the currency in which payment of principal and/or interest is to be made, currency options shall, in those cases where the contract provides for payment of an amount of an alternative currency calculated either at a fixed rate of exchange or at the rate of exchange of the day payments are due, entitle any creditor holding a loan contract containing such a currency option to receive in the currency in which the loan was issued the equivalent, converted at the rate of exchange on the date payment falls due under this Agreement, of the amount of the alternative currency or currencies which would have been payable if the option had been exercised on the original contractual due date of payment or as regards payments under this Agreement in respect of the period after the original contractual maturity date, in the case of bonds specified in (6) and (12) of Article 1, the amount of alternative currency which would be payable at the fixed rates and in the case of bonds specified in (3), (8) and (10) of Article 1, the amount of alternative currency calculated at the rate of exchange on the dates of payment which are consecutive to the original maturity dates and in the case of bonds specified in (2) of Article 1, the amount of alternative currency calculated at the rate of exchange on 12th March, 1947.

*Article 10*

## APPLICATION OF THIS AGREEMENT

No payment on the bonds or coupons covered by this Agreement shall be made except with respect to bonds or coupons as respects which acceptance to the terms and conditions of this Agreement in their entirety has been evidenced by presenting such bonds for enfacement. If the foregoing procedure is in any particular found impracticable, and/or the issuance of new bonds is required, the procedure shall be appropriately modified. This Agreement does not affect the existing rights of holders of bonds or coupons not tendered for acceptance.

*Article 11*

## EXPENSES

All expenses in connection herewith shall be defrayed by the Government.

*Article 12*

## EQUALITY OF TREATMENT

If in any subsequent agreement entered into by the Government with holders of any bonds other than Sterling bonds, the holders of such other bonds should be accorded treatment more favourable than is offered through the present offer to the Sterling Bonds, either as to interest, amortisation or otherwise, then the Government will extend such more favourable treatment to the holders of Sterling Bonds. In connection with the above, variations in treatment accorded to other holders which in the opinion of the Council do not result in more favourable treatment as a whole may be disregarded.

*Article 13*

## DATE OF OFFER

The Government undertakes prior to 1st December to make the above offer to the holders. In respect to the form of the offer, and means of bringing the offer to the attention of bondholders, whether by advertisement or otherwise, the Government will consult with the Council from time to time.

This Memorandum of Agreement is signed in the Borough of Manhattan, City, County and State of New York, United States of America, on 26th September, 1952.

Thomas FRAZER  
Member of the Council of the Corporation  
of Foreign Bondholders, London  
Juichi TSUSHIMA  
Adviser of the Ministry of Finance of the  
Government of Japan

TABLE 1

*Adjusted Amounts of Sinking Fund*

A.—The adjusted amount of the sinking fund for the bonds concerned is fixed as set forth below. So long as any principal of any issue remains outstanding the Government of Japan will pay the amount to the sinking fund in question on the month and day provided under the original indenture or contract, provided, however, that the Government of Japan will not be required at any time to pay as to any issue in excess of the outstanding amount.

	<i>Amount in pounds sterling</i>	<i>Per</i>	<i>First Instalment date</i>
(8) City of Nagoya 5 per cent. Sterling Loan for £800,000 . . . . .	28,185	Annually	March 31, 1953
(12) Tokyo Electric Light Co., Ltd. (Tokyo Dento Kabushiki Kaisha) 6 per cent. First Mortgage Bond (Sterling Series) .	117,000	Annually	Feb. 15, 1953



B.—The sinking fund of the following bonds is cumulative. Therefore, the adjusted amount given in this table is the first instalment for the respective bonds :—

	<i>Amount in pounds sterling</i>	<i>Per</i>	<i>First Instalment date</i>
(5) Imperial Japanese Government 6 per cent. Sterling Loan of 1924. Issue of £25,000,000 . . . . .	179,000	Semi-annually	Jan. 10, 1953
(6) Imperial Japanese Government 5½ per cent. Conversion Loan of 1930 for £12,500,000 . . . . .	131,500	Semi-annually	Jan. 1, 1953
(10) City of Tokyo 5 per cent. Loan of 1912 Sterling Bonds of £5,175,000 . . . . .	11,795	Quarterly	Feb. 25, 1953
(11) City of Tokyo 5½ per cent. Loan of 1926 for £6,000,000 . . . . .	60,000	Semi-annually	June 30, 1953

C.—The sinking fund of the Osaka City Harbour Construction Loan is as follows :—

	<i>Amount in pounds sterling</i>	<i>Per</i>	<i>First Instalment date</i>
(7) Osaka City Harbour Construction Loan	3,154	Annually	Dec. 1953

This amount is not fixed but in the succeeding years it will be increased as follows :—

£3,237 (=£83×39) for December 1954.	
£3,320 (=£83×40) for December 1955.	
£3,403 (=£83×41) for December 1956.	
etc.	etc.

#### UNDERSTANDING

I.—It is understood that the application of the Agreement signed on 26th September, 1952, with respect to currency options of six sterling bonds shall be as follows :—

A.—Two loans have fixed option clauses—

5½ per cent. Conversion Loan of 1930.

Tokyo Electric Light Company, Ltd., 6 per cent. First Mortgage Bonds (Sterling Series).

The amount of alternative currency to which a bondholder of either of these two loans shall be entitled as regards both principal and interest is dollars 4·8665 for each one pound sterling.

B.—Four loans have current rate option clauses—

*5 per cent. Sterling Loan of 1907*

- (1) In the case of this loan, which fell due on 12th March, 1947, the amount of alternative currency to which a bondholder shall be entitled as regards principal is the amount of dollars at the rate of exchange on 12th March, 1947.
- (2) As regards arrears of interest up to 12th March, 1947, the amount of alternative currency to which a bondholder shall be entitled is the amount of dollars at the rate of exchange on the dates on which payments were due but unpaid.
- (3) As regards all interest (in arrears or current) after 12th March, 1947, the amount of alternative currency to which a bondholder shall be entitled is determined by calculating interest at the rate of 5 per cent. per annum on principal as defined in subsection (1) above.

*4 per cent. Sterling Loan 1910 and City of Nagoya 5 per cent. 1909*

In respect of arrears of interest up to and including 18th September, 1949, the amount of alternative currency to which a bondholder shall be entitled is the amount of Swiss francs at the rate of exchange on the dates on which payments were due but unpaid.

In respect of interest, and in the case of the 4 per cent. Sterling Loan 1910, in respect also of principal, falling due after 18th September, 1949, the amount of alternative currency to which a bondholder shall be entitled is the amount of Swiss francs at the rate of exchange on the due dates of payment.

*City of Tokyo 5 per cent. Sterling Loan 1912*

In respect of arrears of interest up to and including 18th September, 1949, the amount of alternative currencies to which a bondholder shall be entitled is the amount of Swiss francs or the amount of dollars at the rate of exchange on the dates on which payments were due but unpaid.

In respect of interest and principal falling due after 18th September 1949, the amount of alternative currencies to which a bondholder shall be entitled is the amount of Swiss francs or dollars at the rate of exchange on the due dates of payment.

II.—It is understood also that the interpretations of the rates of exchange of this Agreement with respect to currency options of the above bonds shall conform to the normal course of foreign exchange transactions.

AGREEMENT OF THE SETTLEMENT OF THE DEBT ON TOHO DENRYOKU  
KABUSHIKI KAISHA (THE TOHO ELECTRIC POWER COMPANY,  
LIMITED) £300,000 FIVE PER CENT. 20 YEAR REGISTERED DEBEN-  
TURES

September 26, 1952

The Council of the Corporation of Foreign Bondholders, representing Her Majesty's Government's interest in the matter of the above-mentioned Debentures and represented by Sir Thomas Frazer of the first part and the Government of Japan represented by Juichi Tsushima of the second part have reached the following agreement on the final settlement of the debt relating to these Debentures in the Borough of Manhattan, City, County and State of New York, United States of America, on September 26, 1952 :—

1. The Government of Japan will pay the sum of One hundred twenty-four thousand eight hundred eleven pounds, fourteen shillings, two pence in sterling (£124,811 14s. 2d.) to Her Majesty's Government on January 15, 1953, in London, in exchange for the surrender to the Government of Japan of Debentures of the above issue to the nominal amount of £70,576.

2. Her Majesty's Government and the Government of Japan respectively, will nominate the representatives to act on their behalf in execution of the above settlement.

Thomas FRAZER  
Member of the Council of the Corporation  
of Foreign Bondholders, London

Juichi TSUSHIMA  
Adviser of the Ministry of Finance of the  
Government of Japan