

No. 3499

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

**Agreement (with schedule and exchange of notes) relating
to the settlement of financial matters. Signed at
London, on 27 June 1956**

Official texts of the Agreement: English and Hungarian.

Official text of the notes: English.

*Registered by the United Kingdom of Great Britain and Northern Ireland on
29 August 1956.*

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

**Accord (avec annexe et échange de notes) relatif au règle-
ment de certaines questions financières. Signé à Londres,
le 27 juin 1956**

Textes officiels de l'Accord: anglais et hongrois.

Texte officiel des notes: anglais.

*Enregistré par le Royaume Uni de Grande-Bretagne et d'Irlande du Nord le
29 août 1956.*

No. 3499. AGREEMENT¹ BETWEEN THE GOVERNMENT OF THE UNITED KINGDOM OF GREAT BRITAIN AND NORTHERN IRELAND AND THE GOVERNMENT OF THE HUNGARIAN PEOPLE'S REPUBLIC RELATING TO THE SETTLEMENT OF FINANCIAL MATTERS. SIGNED AT LONDON, ON 27 JUNE 1956

The Government of the United Kingdom of Great Britain and Northern Ireland (hereinafter referred to as the United Kingdom Government) and the Government of the Hungarian People's Republic (hereinafter referred to as the Hungarian Government) have agreed as follows :

Article 1

(1) The Hungarian Government shall pay to the United Kingdom Government the sum of £4,050,000 (four million and fifty thousand pounds sterling) in full and final settlement of the following :

(a) All sums due to the United Kingdom Government or to British nationals from the Hungarian Government or from Hungarian nationals in respect of :

- (i) commercial and banking transactions (other than those referred to in paragraph (2) of this Article), where the obligation arose on or before 8th April, 1941, and the sum was due and payable on or before 15th September, 1947, and had not been settled by the latter date;
- (ii) balances held at banks in Hungary at 15th September, 1947;
- (iii) payments made by the United Kingdom Treasury under their guarantee of £1,000,000 4½ per cent. "A" Debenture Stock of the Hungarian Transdanubian Electrical Company Limited under an agreement of 28th March, 1927;
- (iv) debts arising out of contracts of insurance concluded on or before 8th April, 1941, which are due from Hungarian nationals to physical persons who were British nationals both on the date of the present Agreement and on 8th April, 1941.

(b) All obligations of the Hungarian Government and of Hungarian nationals to the United Kingdom Government and British nationals arising out of Article 26 of the Treaty of Peace with Hungary signed in Paris on 10th February, 1947² (hereinafter referred to as the Treaty of Peace with Hungary).

¹ Came into force on 27 June 1956, as from the date of signature, in accordance with article 10.

² United Nations, *Treaty Series*, vol. 41, p. 135.

(c) All claims (whether presented or not at the date of signature of the present Agreement) in respect of British property as defined in Article 4 hereof affected directly or indirectly prior to the date of the present Agreement by Hungarian measures of nationalisation, expropriation, State administration and other similar measures arising out of structural changes in the Hungarian economy and regulations made or administrative action taken thereunder (hereinafter referred to together as "the various Hungarian measures"); the Laws and Law-Decrees included amongst the various Hungarian measures are listed in the Schedule¹ to the present Agreement.

(d) Any claims in respect of shares in Hungarian banking companies affected by the Hungarian Law No. XXX of 1st December, 1947, being shares which from the date of that Law up to the date of the present Agreement have been continuously owned by British nationals.

(2) The Hungarian Government shall pay to N. M. Rothschild and Sons, London, in favour of the creditors represented by the Hungarian Creditors Committee, the Hungarian Treasury Billholders Committee, and the Committee of Creditors of the Hungarian River and Sea Navigation Company Limited, the sum of £450,000 (four hundred and fifty thousand pounds sterling) in full and final settlement of obligations arising out of:

(a) short-term credits granted by British nationals to the Hungarian Government or Hungarian nationals on or before 8th April, 1941;

(b) unpaid matured Treasury Bills of the "Government of the Kingdom of Hungary" held by British nationals on the date of the present Agreement.

Article 2

(1) Payments of the sums mentioned in paragraphs (1) and (2) of Article 1 of the present Agreement shall be made by instalments to be paid by the Hungarian Government on 31st March in each year, beginning on 31st March, 1957. The amount of these instalments shall be $6\frac{1}{2}$ per cent, of the sterling proceeds, based on the f.o.b. value, of imports into the United Kingdom from Hungary in the twelve months ending on 31st December preceding the date of payment.

(2) The United Kingdom Government and the Hungarian Government agree that for this purpose the f.o.b. value in sterling of imports into the United Kingdom from Hungary shall be taken to be that recorded in the published accounts relating to Trade and Navigation of the United Kingdom less a deduction of 10 per cent. The United Kingdom Government undertake to inform the Hungarian Government of that value on or before 28th February of each year.

¹ See p. 30 of this volume.

Article 3

For the purposes of the present Agreement :

(1) “ British nationals ” shall mean :

- (i) physical persons who on the date of the signature of the present Agreement are citizens of the United Kingdom and Colonies, citizens of Southern Rhodesia, British subjects without citizenship, or British-protected persons belonging to any of the territories for whose international relations the United Kingdom Government are responsible; and
- (ii) corporations or other juridical persons incorporated or constituted under the laws in force in the United Kingdom of Great Britain and Northern Ireland or in any territory for whose international relations the United Kingdom Government are, on the date of the present Agreement, responsible;

provided that the persons concerned or their legal predecessors were equally British nationals in accordance with the foregoing definition on the date on which the claim arose, or in the case of claims arising under Article 26 of the Treaty of Peace with Hungary, were eligible to claim under the provisions of that Article.

(2) “ Hungarian national ” shall mean :

- (i) physical persons possessing Hungarian citizenship;
- (ii) juridical persons incorporated or constituted under Hungarian law.

Article 4

(1) The expression “ British property ” in Article 1 shall mean :

all property, rights and interests (including debts) affected by the various Hungarian measures which, at the date on which they were affected by the relevant Hungarian measure, were owned directly or indirectly in whole or in part, and whether legally or beneficially, by British nationals, to the extent to which they were so owned.

(2) In relation to claims arising out of the various Hungarian measures the date on which the claim arose shall be deemed to be the date on which the relevant law, law-decree, or other measure came into force, or the date on which it was applied to British property.

Article 5

(1) The United Kingdom Government hereby declare on their own behalf and on behalf of British nationals that payment by the Hungarian Government of the sum of £4,050,000 mentioned in paragraph (1) of Article 1 of the present Agreement fully and finally discharges the Hungarian Government

and Hungarian nationals from all liability to the United Kingdom Government and British nationals in respect of all the debts, claims and obligations mentioned in the said paragraph (1) of Article 1 of the present Agreement.

(2) The Hungarian Government hereby declare that the sum of £4,050,000 mentioned in paragraph (1) of Article 1 of the present Agreement has been arrived at after taking into account :

- (i) all liabilities in Hungary of British nationals in respect of property, rights and interests to which the settlement under paragraph (1) of Article 1 of the present Agreement relates;
- (ii) any claim of the Hungarian Government arising out of Article 22 of the Treaty of Peace with Hungary;
- (iii) debts arising out of contracts of insurance concluded on or before 8th April, 1941, which are due from British nationals to physical persons who were Hungarian nationals both on the date of the present Agreement and on 8th April, 1941;

and that all such liabilities and claims are thus fully and finally discharged as from the date of the present Agreement.

(3) The United Kingdom Government and the Hungarian Government agree that neither Government shall present to the other, on its behalf or on behalf of any person whether included in the definition of British nationals or Hungarian nationals or not, any claim relating to a matter for the settlement of which paragraph (1) of Article 1 of the present Agreement provides, or which has been taken into account under paragraph (2) of this Article; nor will either Government support such claims.

Article 6

(1) All debts between insurance companies, underwriters, brokers or agents, or juridical persons other than insurance companies, being British nationals, on the one hand, and insurance companies, brokers or agents, or juridical persons other than insurance companies, being Hungarian nationals, on the other hand, arising out of contracts of insurance and treaties or contracts of reinsurance concluded on or before 8th April, 1941, shall be deemed to be extinguished.

(2) The provisions of the present Agreement, in so far as they relate or refer to contracts of insurance and treaties or contracts of reinsurance, are hereby deemed to constitute an agreement between the United Kingdom Government and the Hungarian Government within the meaning of paragraph 4 of Section A of Annex V of the Treaty of Peace with Hungary.

Article 7

Any obligations of the Hungarian Government to the United Kingdom Government or to British nationals arising out of the debts referred to in Articles 231 and 232 of the Treaty of Trianon of 4th June, 1920,¹ shall be deemed to be extinguished.

Article 8

(1) The United Kingdom Government shall obtain all documents of title which are available relating to the claims of British nationals under paragraph (1) of Article 1 of the present Agreement.

(2) If such documents relating to any claims are not available (as, for example, if such documents of title were in the possession of bankers or agents in Hungary, or if such documents of title have not been executed or if, in the case of a claim under sub-paragraph (c) of paragraph (1) of Article 1 of the present Agreement, the documents also related to property, rights or interests unaffected by any of the various Hungarian measures), the United Kingdom Government shall obtain a document signed by the British national to whom the payment is to be made, or by the person who made the claim, surrendering all claims by him to which the payment relates.

(3) The United Kingdom Government shall retain custody of the documents obtained in accordance with the provisions of paragraphs (1) and (2) of this Article and shall deliver to the Hungarian Government such documents relating to each claim as soon as the final payment under paragraph (1) of Article 1 of the present Agreement shall have been made by the Hungarian Government.

(4) The United Kingdom Government shall supply to the Hungarian Government, not later than 31st December, 1961, particulars concerning documents obtained in accordance with paragraphs (1) and (2) of this Article.

Article 9

The Contracting Governments shall co-operate in all matters affecting the operation of the present Agreement, and to that end :

(1) At the request of the United Kingdom Government and in order to assist them to determine for the purpose of the distribution of the sum mentioned in paragraph (1) of Article 1 of the present Agreement any claims of British nationals, the Hungarian Government shall supply to the United Kingdom Government free of expense all available particulars which are held by the appropriate Hungarian authorities and which have not already been supplied to the United Kingdom Government concerning any claims which are the

¹ De Martens, *Nouveau Recueil général de Traité*s, troisième série, tome XII, p. 423; and League of Nations, *Treaty Series*, Vol. 6, p. 187.

subject of the present Agreement, and copies of the various Hungarian measures concerning or affecting British property.

- (2) At the request of the Hungarian Government the United Kingdom Government shall supply such available particulars as are then held by them concerning the claims of British nationals which are included in paragraph (1) of Article 1 of the present Agreement, in cases where the Government or nationals of any third country present to the Hungarian Government claims relating to the same property or interest in property.

Article 10

The present Agreement shall come into force on the date of signature thereof.

IN WITNESS WHEREOF the undersigned, being duly authorised thereto by their respective Governments, have signed the present Agreement and affixed thereto their seals.

DONE in duplicate at London this twenty-seventh day of June, nineteen hundred and fifty-six, in the English and Hungarian languages, both texts being equally authentic.

On behalf of the Government
of the United Kingdom of Great
Britain and Northern Ireland :

[L.S.] READING

On behalf of the Government
of the Hungarian People's
Republic :

[L.S.] SZILAGYI

SCHEDULE

<i>No.</i>	<i>Title</i>	<i>No. of Law or Law-Decree</i>
1	Law enacting the Order in Council issued concerning the abolition of the system of big estates and the distribution of land to the agricultural population	1945 : VI
2	Law concerning land settlement and the furtherance of the completion of the land reform	1946 : IX
3	Law concerning the nationalisation of coal mining	1946 : XIII
4	Law concerning the nationalisation of the power stations and transmission lines of certain electricity works and other provisions connected with the distribution of electric power	1946 : XX
5	Law concerning certain measures required for the completion of the land reform	1947 : V
6	Law concerning the nationalisation of Hungarian-owned shares in the National Bank of Hungary and in the joint-stock banks included in Category I of the Central Corporation of Banking Companies	1947 : XXX

7	Law concerning the nationalisation of bauxite mining and aluminium production	1948 : XIII
8	Law concerning the nationalisation of certain industrial enterprises. . .	1948 : XXV
9	Law concerning the regularisation of the matter of abandoned property . .	1948 : XXVIII
10	Law concerning the taking over by the State of the maintenance of non-State schools, the nationalisation of property pertaining thereto and the taking over into State service of their personnel	1948 : XXXIII
11	Law constituting an amendment to Law No. XXX of 1947	1948 : XXXVI
12	Law concerning the regularisation of certain matters arising in connexion with the completion of the land reform and the land settlement	1949 : XXIV
13	Law-Decree concerning the partial parcelling of agricultural and forest estates	1949 : 3
14	Law-Decree amending and supplementing Law No. XXV of 1948 . .	1949 : 4
15	Law-Decree concerning the nationalisation of certain industrial and transport undertakings	1949 : 20
16	Law-Decree concerning the nationalisation of general dispensing pharmacies	1950 : 25
17	Law-Decree concerning the nationalisation of certain house property .	1952 : 4

EXCHANGE OF NOTES

I

*The President of the Hungarian Delegation to the Minister of State
for Foreign Affairs*

LEGATION OF THE HUNGARIAN PEOPLE'S REPUBLIC

London, S.W. 1. June 27, 1956

Sir,

I have the honour to state that the Hungarian Government have made an offer to the Hungarian Creditors Committee, the Hungarian Treasury Bill-holders Committee and the Committee of Creditors of the Hungarian River and Sea Navigation Company Limited to pay the sum of £450,000 in full and final settlement of the debts mentioned in paragraph (2) of Article 1 of the Financial Agreement signed on this day's date.¹ The Hungarian Government have also offered to pay the said sum to Messrs. N. M. Rothschild and Sons, New Court, St. Swithin's Lane, London, E.C. 4, in favour of the creditors represented by the above-mentioned Committees at the rate of £100,000 a year out of the instalments to be paid by the Hungarian Government under Article 2 of the said Agreement. These proposals have been accepted by the above-mentioned Committees.

I have, &c.

SZILAGYI

II

*The Minister of State for Foreign Affairs to the President
of the Hungarian Delegation*

FOREIGN OFFICE, LONDON, S.W. 1

June 27, 1956

Sir,

I have the honour to acknowledge the receipt of your Note of this day's date which reads as follows :

[See note I]

2. I have the honour to state that the United Kingdom Government have taken note of the action taken by the Hungarian Government in this matter.

I have, &c.

READING

¹ See p. 20 of this volume.

III

*The Minister of State for Foreign Affairs to the President
of the Hungarian Delegation*

FOREIGN OFFICE, LONDON, S.W. 1

June 27, 1956

Sir,

The Hungarian Government offered on several occasions as part of a global settlement covering all outstanding debts and claim presented by the United Kingdom Government to re-purchase over a period of years certain Hungarian bonds held by British nationals. These proposals which were regarded by the Council of Foreign Bondholders and the League Loans Committee as unacceptable, could not be approved by the United Kingdom Government. In the circumstances, the two Governments agreed that all bonded debt should be excluded from the financial settlement and that the bondholders' rights were in no way affected by the conclusion of the Financial Agreement signed on this day's date.

2. I have the honour to suggest that the present Note and your reply thereto shall be regarded as placing on record the understanding of the two Governments in this matter.

I have, &c.

READING

IV

*The President of the Hungarian Delegation to the Minister of State
for Foreign Affairs*

LEGATION OF THE HUNGARIAN PEOPLE'S REPUBLIC

London, S.W. 1, June 27, 1956

Sir,

I have the honour to acknowledge the receipt of your Note of this day's date which reads as follows :

[See note III]

2. I have the honour to confirm that your Note and the present reply shall be regarded as placing on record the understanding of the Hungarian Government and the United Kingdom Government in this matter.

I have, &c.

SZILAGYI