

Duke-CCLS Students' Trans-Atlantic Competition

jointly organised by Duke University School of Law (Duke) and the Centre for Commercial Law Studies, Queen Mary University of London (CCLS)

I. COMPETITION RULES

Thanks to a collaboration between Duke University School of Law and the Centre for Commercial Law Studies, Queen Mary University of London, Professors Mitu Gulati (Duke) and Rodrigo Olivares-Caminal (CCLS) are pleased to announce—the launch of the first Duke-CCLS Student's Trans-Atlantic Competition.

The winner will be awarded an antique sovereign bond, as well as the possibility of having the research published on *International Corporate Rescue*, a bi-monthly journal that covers the most relevant issues in the topical area of insolvency and corporate rescue law and practice.

Professors Gulati and Olivares-Caminal are looking for students to submit a 10 page word memorandum based on the narrative included in II below. The first page can be utilized to provide an executive summary of your recommendation.

The judges—a three member panel of academics and/or practitioners—will be looking for innovative, original, persuasive and well written memoranda. Submissions can be done individually or in teams (teams may comprise of no more than 3 students per team).

The competition is open to all Duke students currently enrolled on any of the following programs:

- School of Law LLM Program
- School of Law MA or PhD programs
- School of Law JD Program

The competition is open to all Queen Mary University of London students currently enrolled on any of the following programmes:

- School of Law LLM Programme (including Paris LLM)
- CCLS and School of Economics and Finance joint programmes—LLM in Law and Economics and MSc in Law and Finance
- Law students undertaking MA Research in Law or PhD

Summary:

- 10 page word memorandum (including quotes/citations which must all be acknowledged). Font size: 12. Line spacing: 1.5 or 2.
- Deadline: Friday 27/02/2015 at 11:59pm GMT

- Applicants should email their entries to ccls-competitions@qmul.ac.uk
- Further details available at <http://www.ccls.qmul.ac.uk/>

II. NARRATIVE

Two famous law professors, both experts on sovereign debt, happened to have been in Paris last summer to give presentations at the Paris Club. These two professors, Professor Mark Weidemaier of the Stanford University and Professor Anna Gelpern of Oxford University share an obsession with unpacking the history of obscure contract provisions in sovereign debt instruments—and one clause in particular, “the *pari passu* clause” has interested them greatly in recent years. Prior to their presentations at the Paris Club, they meet for coffee and decide to take a walk to their favourite old antique store in Paris—one that just happens to sell antique defaulted sovereign bonds from the last two centuries.

Mark and Anna came across some very interesting Chinese bonds issued by the then Chinese Imperial Government (4½% Sterling Gold Loan of 1898). Mark and Anna have long been obsessed with the study of the *pari passu* clause in sovereign debt instruments. The *pari passu* clause is a standard clause in public or private international unsecured debt obligations (syndicated loan agreements and bond issuances). The *pari passu* clause, as brilliantly noted by Lee Buchheit (“How to Negotiate Eurocurrency Loan Agreements”, *Euromoney*, Second Edition, 2000, p. 82), “is short, obscure and sports a bit of Latin; all characteristics that lawyers find endearing”. Recently, the *pari passu* clause returned to the limelight in a lawsuit that is currently taking place in New York against Argentina (*NML Ltd. v Republic of Argentina*).

Upon close examination of the language on the 1898 Chinese bond, Mark and Anna found that it had some interesting characteristics, mainly that the bonds were secured and had the protection of what seems to be a “super-priority” clause. Therefore, Mark and Anna both decided to buy these bonds to show to their students in their lectures. Mark bought a £25 bond and Anna a £100 bond (the difference in price, the antique dealer explained was a function of the underwriters for the particular tranches). Both bonds are of the Chinese Imperial Government 4½% Sterling Gold Loan of 1898. As noted, the underwriters on the bonds were different. Mark’s was underwritten by the Deutsch-Asiatische Bank while Anna’s was underwritten by Hongkong and Shanghai Banking Corporation. (See Annexes I and II).

Therefore, Mark and Anna have become holders of long-defaulted bonds issued by the Chinese Imperial Government. Now, they are considering the possibility of bringing a claim against the People’s Republic of China (PRC) as an academic exercise to demonstrate students some fundamentals of the law. Historically, they had faced two insurmountable obstacles for the enforcement of those instruments in a court of law: (1) the “absolute” theory of sovereign immunity which prevailed until the beginning of the 1950s and applied to debt obligations issued by foreign governments prior to that time (under the absolute theory of sovereign immunity, foreign states could not be sued in courts without their

consent); and, (2) the statute of limitations (six years for contract cases in New York and the UK), which will have long since expired on those old bonds.

Mark and Anna are seeking your advice as to whether they have any possibility of succeeding in their claim. In your analysis you should state whether the different underwriter makes any difference (see Annex III for a copy of the underwriting agreement) and/or the fact that Mark resides in the US and Anna in the UK. In other words, their main concern is whether to sue or not; and, if yes, where to bring a claim. Aspects of substantive law should also be taken into account, not only jurisdictional aspects. Please understand that Professors Olivares-Caminal and Gulati are interested in your perspective as legal experts.

Some recent developments might seem to favour Mark's position, inter alia, the US Supreme Court decided a case in 2004 (*Austria v. Altmann*) that reversed the old rule about applying absolute sovereign immunity to claims arising prior to 1952. Also, in the recent and ongoing litigation against Argentina, the Second Circuit Court of Appeals ruled in 2012 in *NML v. Argentina* that a debt instrument containing a financial covenant (in that case, a promise to maintain the equal ranking of bonds) is breached each time the issuer makes a payment to other creditors in violation of the covenant. The decision may imply that the statute of limitations is commenced afresh for the enforcement (by specific performance or injunction) of the financial covenant in the old bonds each time a payment under new instruments is made in violation of the covenant.

Good luck !

Other related discussions:

- Joseph Cotterill, Back to the Future with Pari Passu, FT Alphaville, 5 November 2013¹.
- Mitu Gulati, Has the Second Circuit (Unwittingly) Breathed Life into the Nostrils of Imperial Chinese Government Bonds?, October 2013².

* * *

¹ Available at <http://ftalphaville.ft.com/2013/11/05/1667042/back-to-the-future-with-pari-passu/>

² Available at http://papers.ssrn.com/sol3/papers.cfm?abstract_id=2340299



ANNEX I

900

£ 25

4 1/2 %

£ 25

£ 25

A N° 026308

CHINESE IMPERIAL GOVERNMENT GOLD LOAN OF 16,000,000 STERLING

KAISERLICH CHINESISCHE STAATSANLEIHE

IN GOLD VON 1898 IM NOMINALBETRAGE VON £ 16,000,000 STERLING

Authorized by Imperial Edict of 2nd March 1898... Bond for £ 25 Sterling.

The Bearer of this Bond is entitled to receive from the Imperial Government of China the sum of

Twenty five Pounds Sterling

with interest thereon from the 31st March 1898 at the rate of Four and a half per cent per annum.

The interest will be payable on 1st March and 1st September of each year... 4 1/2 %

30,000 Bonds of £ 25 each, numbered 1-30,000 both inclusive... 4 1/2 %

The Bonds are to be drawn by lot for payment in accordance with the Table of Drawings printed on the Bond... 4 1/2 %

All Bonds and Coupons and payments made and received in connection with the service of this Loan shall be exempt from Chinese taxes and imposts for ever.

Gezeichnet zur Identifizierung Deutsch-Asiatische Bank (as Agent für die Emission der Anleihe) BERLIN, den 1. März 1898.

Genehmigt durch Kaiserliches Edict von 2. März 1898... Obligation über £ 25 Sterling.

Die Inhaber dieser Obligation hat gegen die Kaiserlich Chinesische Regierung einen Anspruch auf ein Kapital von

Fünfundzwanzig Pfund Sterling

mit Zinsen zum Satze von vier und einhalb Prozent für je Jahr, von 1. März 1898 ab laufend... 4 1/2 %

Die Zinsen sind am 1. März und 1. September jedes Jahres zahlbar... 4 1/2 %

Die Tilgung der Obligationen wird nach Wahl des Inhabers bei der Hongkong und Shanghai Banking Corporation in London in Sterling oder bei der Deutsch-Asiatischen Bank in Berlin... 4 1/2 %

Die Auszahlung der Obligationen zur Rückzahlung findet gemäss der Tabelle der Auszahlung... 4 1/2 %

Die Obligationen und Coupons dieser Anleihe sind von jeder gegenwertigen und zukünftigen chinesischen Steuer befreit... 4 1/2 %



£ 25

Gesamtlich genehmigt.

Berlin, Reichsdruckerei.

Chinese Imperial Government 4 1/2 % Gold Loan of 1898... Coupon No. 87... 1898

Extracts
from
the Agreement referred to in the Bond.

The Imperial Government of China...
The term of the loan shall be forty years...

The Bonds shall be...
The entire loan of sixteen million pounds sterling...

No loan charge or mortgage shall be raised or created...
The Chinese Imperial Government...

The Chinese Imperial Government...
The Chinese Imperial Government...

Auszug
aus dem
in der Obligation erwähnten Vertrage.

Die Kaiserlich-Chinesische Regierung...
Der Zweck der Anleihe...

Die Anleihe wird...
Die gesamte Anleihe...

Keine Anleihe...
Die Kaiserlich-Chinesische Regierung...

Die Kaiserlich-Chinesische Regierung...
Die Kaiserlich-Chinesische Regierung...

Littera A.
No 026308
Chinese
Imperial Government
4 1/2 % Gold Loan
of 1898.
Kaiserlich Chinesische
4 1/2 % Staatsanleihe
in Gold von 1898.
BOND
for
£ 25 Sterling.
OBLIGATION
of
£ 25 Sterling.
Interest Payable
1st March and 1st September
in each Year.
Zinsen zahlbar
1. März und 1. September
jeden Jahres.

Table of Drawings.

Amortisations-Plan.

No. of Drawing	Date of Redemption	Instalments of Loan repayable	Balance of Loan outstanding after drawings
1.	1899 March 1.	£ 115 225	£ 15 884 775
2.	1900 March 1.	120 425	15 764 350
3.	1901 March 1.	125 825	15 638 525
4.	1902 March 1.	131 500	15 507 025
5.	1903 March 1.	137 425	15 370 600
6.	1904 March 1.	143 600	15 229 000
7.	1905 March 1.	150 075	15 075 925
8.	1906 March 1.	156 800	14 919 125
9.	1907 March 1.	163 875	14 755 250
10.	1908 March 1.	171 250	14 584 000
11.	1909 March 1.	178 900	14 405 100
12.	1910 March 1.	187 000	14 218 100
13.	1911 March 1.	195 425	14 022 675
14.	1912 March 1.	204 225	13 818 450
15.	1913 March 1.	213 400	13 605 050
16.	1914 March 1.	223 000	13 382 050
17.	1915 March 1.	233 025	13 149 025
18.	1916 March 1.	243 500	12 905 525
19.	1917 March 1.	254 475	12 651 050
20.	1918 March 1.	265 900	12 385 150
21.	1919 March 1.	277 900	12 107 250
22.	1920 March 1.	290 425	11 816 825
23.	1921 March 1.	303 475	11 513 350
24.	1922 March 1.	317 100	11 196 250
25.	1923 March 1.	331 400	10 864 850
26.	1924 March 1.	346 325	10 518 525
27.	1925 March 1.	361 900	10 156 625
28.	1926 March 1.	378 200	9 778 425
29.	1927 March 1.	395 225	9 383 200
30.	1928 March 1.	412 975	8 970 225
31.	1929 March 1.	431 500	8 538 725
32.	1930 March 1.	450 800	8 087 925
33.	1931 March 1.	471 000	7 616 925
34.	1932 March 1.	492 000	7 124 925
35.	1933 March 1.	513 725	6 612 200
36.	1934 March 1.	536 200	6 079 000
37.	1935 March 1.	559 500	5 525 500
38.	1936 March 1.	583 625	4 951 875
39.	1937 March 1.	608 500	4 353 375
40.	1938 March 1.	634 200	3 730 175
41.	1939 March 1.	670 725	2 994 450
42.	1940 March 1.	709 100	2 235 350
43.	1941 March 1.	750 400	1 454 950
44.	1942 March 1.	794 650	789 300
45.	1943 March 1.	799 275	nil
		£ 16 000 000	

Small repetitive text blocks at the bottom of the page, likely bleed-through or secondary notices.



ANNEX II

£ 100

C

No 052212

CHINESE IMPERIAL GOVERNMENT

GOLD LOAN 4 1/2% OF 1898

KAISERLICH CHINESISCHE STAATSANLEIHE

IN GOLD

VON 1898

IM NOMINALBETRAGE VON £ 16,000,000 STERLING



Authorized by Imperial Edict of 2nd March 1898 officially communicated by the Tsung-Li-Yamèn to the British and German Legations in Peking secured upon the revenues of the Imperial Maritime Customs of the Treaty Ports of China and also by a first Charge upon the Likin revenues of certain Ports and Districts of China and having priority over any future Loans, Charges and Mortgages.

Genehmigt durch Kaiserliches Edict vom 2. März 1898, amtlich mitgeteilt durch das Tsung-Li-Yamèn an die Englische und an die Deutsche Gesandtschaft in Peking. Sichergestellt durch die Einkünfte aus den Kaiserlich Chinesischen Seezöllen, sowie durch Verpfändung zur ersten Stelle der Likin-Zölle und Steuern von bestimmten Chinesischen Häfen und Districten mit Vorzugsrecht vor allen späteren Anleihen, Belastungen oder Verpfändungen.

Bond for £ 100 Sterling.

The Bearer of this Bond is entitled to receive from the Imperial Government of China the sum of

One Hundred Pounds Sterling

with interest thereon from the 1st March 1898 at the rate of Four and a half per cent per annum.

The Interest will be payable on 1st March and 1st September of each year. The principal will be payable on the 1st March next after this Bond shall be drawn for payment as hereunder mentioned. All interest on this Bond will be payable on the principal becoming payable, and provision having been made for its payment, whether the Bond shall be presented for payment or not. The interest will be payable on surrender of the proper Coupon hereunto annexed, and the principal on surrender of this Bond with all the Coupons not due attached. All payments of principal and interest will be made at the option of the Bearer at the Office of the Hongkong and Shanghai Banking Corporation, London, in sterling, or at the Office of the Deutsch-Asiatische Bank in Berlin, and at the Banking houses authorised by the last named Bank in Berlin, Hamburg, Frankfurt-on-the-Maine and Cologne at the exchange of the day for eight days bills on London. This Bond is one of the hereafter specified Bonds of like date and tenor viz:

30 000 Bonds: A of £ 25 each, numbered 1—30 000 both inclusive	
60 000 " B " £ 50 " " " 1—60 000 " "	
110 000 " C " £ 100 " " " 1—110 000 " "	
2 500 " D " £ 500 " " " 1—2 500 " "	

making up in all £ 16 000 000 Sterling.

Bonds A. of £ 25 each Nos. 1—1500, B. of £ 50 each Nos. 1—1500, C. of £ 100 each Nos. 1—66875, D. of £ 500 each Nos. 1—2400 are countersigned in London by the Hongkong and Shanghai Banking Corporation and Bonds A. of £ 25 each Nos. 1501—30000, B. of £ 50 each Nos. 1501—60000, C. of £ 100 each Nos. 66876—110000, D. of £ 500 each Nos. 2401—2500 are countersigned in Berlin by the Deutsch-Asiatische Bank.

The Bonds are to be drawn by lot for payment in accordance with the Table of Drawings printed on this Bond the drawings to take place at the Office of the Hongkong and Shanghai Banking Corporation in London in the month of January in each year commencing in 1899. The Imperial Government of China has specially undertaken neither to convert nor redeem this Loan otherwise than as herein specified.

All Bonds and Coupons and payments made and received in connection with the service of this Loan shall be exempt from Chinese taxes and imposts for ever.

This Bond authorised by the Imperial Edict dated 2nd March 1898 is issued under and subject to the terms of an Agreement between the Tsung-Li-Yamèn acting on behalf of the Imperial Government of China of the one part and the Hongkong and Shanghai Banking Corporation and the Deutsch-Asiatische Bank of the other part dated Peking 1st March 1898 extracts from which Agreement are printed on the back hereof.

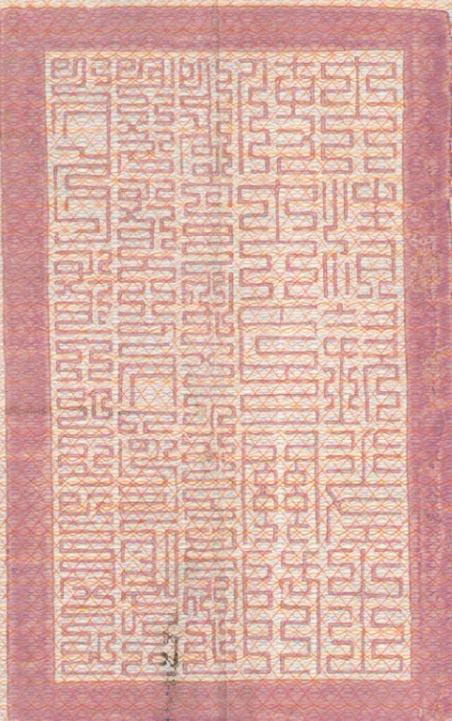
In witness whereof either His Excellency Sir Chih Chen Lo-Fêng-Luh K. C. V. O. Envoy Extraordinary and Minister Plenipotentiary of His Majesty the Emperor of China to Her Majesty the Queen of the United Kingdom of Great Britain and Ireland Empress of India or His Excellency Lü Tajen Envoy Extraordinary and Minister Plenipotentiary of His Majesty the Emperor of China to His Majesty the German Emperor has hereunto set his hand and seal this first day of March 1898.

Countersigned for identification

For the
Hongkong and Shanghai Banking Corporation
(Agents issuing the Loan).

LONDON, 1st March 1898.

Manager.



Obligation über £ 100 Sterling.

Der Inhaber dieser Obligation hat gegen die Kaiserlich Chinesische Regierung einen Anspruch auf ein Kapital von

Ein Hundert Pfund Sterling

nebst Zinsen zum Satze von vierundeinhalb Procent für's Jahr, vom 1. März 1898 ab laufend.

Die Zinsen sind am 1. März und 1. September jeden Jahres zahlbar. Der Kapitalbetrag einer Obligation ist zahlbar an demjenigen 1. März, welcher auf ihre Auslösung zur Rückzahlung nach Maassgabe untenstehender Bestimmungen folgt. Mit der Fälligkeit dieser Obligation und sofern für die Rückzahlung derselben gesorgt ist, hört ihre Verzinsung auf, ohne Rücksicht darauf, ob die Obligation zur Zahlung vorgezeigt wird oder nicht. Die Zinsen sind zahlbar gegen Uebergabe des betreffenden der Obligation beigegebenen Coupons, und das Kapital gegen Auslieferung der Obligation nebst allen noch nicht fälligen Coupons.

Die fälligen Zinscoupons und Obligationen werden nach Wahl des Inhabers bei der Hongkong and Shanghai Banking Corporation in London in Sterling oder bei der Deutsch-Asiatischen Bank in Berlin und anderen von dieser Bank zu beauftragenden Stellen in Berlin, Hamburg, Frankfurt a. M. und Köln zum jeweiligen Tagescourse für acht tägige Sterling-Wechsel auf London bezahlt.

Die vorliegende Obligation ist eine der nachstehend bezeichneten Obligationen gleichen Datums und Inhaltes, nämlich von

30 000 Obligationen Lit. A. zu je £ 25, No. 1—30 000 einschliesslich	
60 000 " B. " £ 50, " " 1—60 000 " "	
110 000 " C. " £ 100, " " 1—110 000 " "	
2 500 " D. " £ 500, " " 1—2 500 " "	

zusammen im Betrage von £ 16 000 000 Sterling.

Die Obligationen Lit. A. zu je £ 25 No. 1—1500, Lit. B. zu je £ 50 No. 1—1500, Lit. C. zu je £ 100 No. 1—66875, Lit. D. zu je £ 500 No. 1—2400 sind gegengezeichnet in London von der Hongkong and Shanghai Banking Corporation und die Obligationen Lit. A. zu je £ 25 No. 1501—30000, Lit. B. zu je £ 50 No. 1501—60000, Lit. C. zu je £ 100 No. 66876—110000, Lit. D. zu je £ 500 No. 2401—2500 sind gegengezeichnet in Berlin von der Deutsch-Asiatischen Bank.

Die Auslösung der Obligationen zur Rückzahlung findet gemäss des denselben aufgedruckten Verlosungsplanes im Hause der Hongkong and Shanghai Banking Corporation in London im Laufe des Monats Januar jeden Jahres, erstmalig im Jahre 1899, statt.

Die Kaiserlich Chinesische Regierung hat sich ausdrücklich verpflichtet, die Anleihe weder zu convertiren, noch anders zurückzuzahlen, als in dem Tilgungsplane bestimmt ist.

Die Obligationen und Coupons dieser Anleihe sind von jeder gegenwärtigen und zukünftigen chinesischen Steuer befreit.

Diese Obligation ist auf Grund Kaiserlichen Edicts vom 2. März 1898 in Gemässheit eines Vertrages ausgegeben, welcher in Peking unter dem 1. März 1898 zwischen dem Tsung-Li-Yamèn, Namens der Kaiserlich Chinesischen Regierung einerseits und der Hongkong and Shanghai Banking Corporation und der Deutsch-Asiatischen Bank andererseits abgeschlossen worden ist. Ein Auszug aus diesem Verträge ist auf der Rückseite dieser Obligation abgedruckt.

Zur Beurkundung des Vorstehenden hat entweder Seine Excellenz Chih Chen Lo-Fêng-Luh, Ausserordentlicher Gesandter und Bevollmächtigter Minister Seiner Majestät des Kaisers von China bei Ihrer Majestät der Königin des vereinigten Königreiches von Gross-Britannien und Irland, Kaiserin von Indien, oder Seine Excellenz Lü Tajen, Ausserordentlicher Gesandter und Bevollmächtigter Minister Seiner Majestät des Kaisers von China bei Seiner Majestät dem Deutschen Kaiser hierunter am 1. März 1898 seine Unterschrift und sein Siegel gesetzt.



Lo-Fêng-Luh

£ 100

Littera C.

№ 052212

**Chinese
Imperial Government
4½ % Gold Loan
of 1898.**

**Kaiserlich Chinesische
4½ % Staatsanleihe
in Gold von 1898.**

BOND

for

£ 100 Sterling.

OBLIGATION

über

£ 100 Sterling.

Interest Payable
1st March and 1st September
in each Year.

Zinsen zahlbar
1. März und 1. September
jeden Jahres.

Table of Drawings.

Amortisations-Plan.

No. of Drawing	Date of Redemption	Instalments of Loan repayable	Balance of Loan outstanding after drawings
No. der Ausloosung	Rückzahlungs-termin	Rückzahlungs-beträge	Nach der Ausloosung ausstehende Beträge
1.	1899 March 1.	£ 115 225	£ 15 884 775
2.	1900 March 1.	» 120 425	» 15 764 350
3.	1901 March 1.	» 125 825	» 15 638 525
4.	1902 March 1.	» 131 500	» 15 507 025
5.	1903 March 1.	» 137 425	» 15 369 600
6.	1904 March 1.	» 143 600	» 15 226 000
7.	1905 March 1.	» 150 075	» 15 075 925
8.	1906 March 1.	» 156 800	» 14 919 125
9.	1907 March 1.	» 163 875	» 14 755 250
10.	1908 March 1.	» 171 250	» 14 584 000
11.	1909 March 1.	» 178 950	» 14 405 050
12.	1910 March 1.	» 187 000	» 14 218 050
13.	1911 March 1.	» 195 425	» 14 022 625
14.	1912 March 1.	» 204 225	» 13 818 400
15.	1913 March 1.	» 213 400	» 13 605 000
16.	1914 March 1.	» 223 000	» 13 382 000
17.	1915 March 1.	» 233 050	» 13 148 950
18.	1916 March 1.	» 243 525	» 12 905 425
19.	1917 March 1.	» 254 475	» 12 650 950
20.	1918 March 1.	» 265 950	» 12 385 000
21.	1919 March 1.	» 277 900	» 12 107 100
22.	1920 March 1.	» 290 425	» 11 816 675
23.	1921 March 1.	» 303 475	» 11 513 200
24.	1922 March 1.	» 317 150	» 11 196 050
25.	1923 March 1.	» 331 400	» 10 864 650
26.	1924 March 1.	» 346 325	» 10 518 325
27.	1925 March 1.	» 361 900	» 10 156 425
28.	1926 March 1.	» 378 200	» 9 778 225
29.	1927 March 1.	» 395 225	» 9 383 000
30.	1928 March 1.	» 412 975	» 8 970 025
31.	1929 March 1.	» 431 600	» 8 538 425
32.	1930 March 1.	» 451 000	» 8 087 425
33.	1931 March 1.	» 471 300	» 7 616 125
34.	1932 March 1.	» 492 500	» 7 123 625
35.	1933 March 1.	» 514 675	» 6 608 950
36.	1934 March 1.	» 537 825	» 6 071 125
37.	1935 March 1.	» 562 025	» 5 509 100
38.	1936 March 1.	» 587 325	» 4 921 775
39.	1937 March 1.	» 613 750	» 4 308 025
40.	1938 March 1.	» 641 375	» 3 666 650
41.	1939 March 1.	» 670 225	» 2 996 425
42.	1940 March 1.	» 700 400	» 2 296 025
43.	1941 March 1.	» 731 900	» 1 564 125
44.	1942 March 1.	» 764 850	» 799 275
45.	1943 March 1.	» 799 275	nil
			£ 16 000 000

Extracts

from

the Agreement referred to in the Bond.

The Imperial Government of China authorises the Hongkong and Shanghai Banking Corporation and the Deutsch-Asiatische Bank to issue an Imperial Chinese four and a half per cent Gold loan for the amount of Sixteen Million Pounds Sterling.

The term of the loan shall be forty five years and repayments of principal shall be made by a yearly sinking fund which shall be paid by the Chinese Government to the Banks in monthly instalments in accordance with the amounts and dates of the Schedule attached to the Agreement. During the said term of forty five years the amortization shall not be increased nor the loan redeemed nor converted by the Chinese Imperial Government.

The Banks shall issue and are hereby authorised to issue to subscribers to the loan, Bonds for the total amount of the loan in pounds sterling in such form, in such languages and for such amounts as shall appear advisable to the Banks, and these Bonds shall be sealed by the Minister for China in London or Berlin as evidence that the Chinese Imperial Government is bound thereby.

This entire Loan of Sixteen million pounds sterling shall be secured as follows; — (1) by a charge on the revenues of the Imperial Maritime Customs of China subject to previous loans already charged on the security thereof and not yet redeemed (2) by a first charge free from all encumbrances upon the following revenues to be forthwith placed under the control of the Inspector General of Maritime Customs, viz: General Lekin of Soochow, Sunghu, Kiukiang and Eastern Chekiang and Salt Lekin of Ichang Hupeh and Anhui.

This entire loan of sixteen million pounds sterling shall have priority both as regards principal and interest over all future loans, charges or mortgages so long as this loan or any part thereof shall be unredeemed.

No loan charge or mortgage shall be raised or created which shall take precedence of or be on an equality with this loan or which shall in any manner lessen or impair its security over the said Customs and Lekin Revenues, so far as required for the annual service of this loan, and any future loan charge or mortgage charged on the said Customs or Lekin revenues shall be made subject to this loan and it shall be so expressed in every agreement for any such future loan charge or mortgage.

The Chinese Imperial Government undertakes that the administration of the Chinese Imperial Maritime Customs service shall remain as at present constituted during the currency of this Loan. In the event of the Customs and Lekin Revenues specified and pledged being at any future time insufficient for the service of principal and interest of this loan either owing to depreciation of silver, diminution of revenue or any other cause the Chinese Imperial Government engages to appropriate and forthwith place under the control of the Inspector General of Maritime Customs further revenues sufficient to complete the amount required.

In the event of the Chinese Government, during the currency of the loan, entering upon negotiations for a revision of Customs tariff accompanied by stipulations for decrease or abolition of Lekin, it is agreed, on the one hand, that such revision shall not be barred by the fact that this loan is secured by Lekin, and on the other hand, that whatever Lekin is pledged for the service of this loan shall neither be decreased nor abolished except by arrangement with the Banks and then only in so far as an equivalent is substituted for it in the shape of a first charge upon the increase of Customs revenue consequent on such revision.

This Loan shall be further secured by Customs-Lekin Annual Bonds for the total amount in sterling of the Loan principal and interest, issued and sealed by the Tsung-Li-Yamên and the Board of Revenue, Peking, and countersigned by the Inspector General of Maritime Customs and all such Customs-Lekin Annual Bonds shall contain the security and priority Clause of this Agreement. These Customs-Lekin Annual Bonds shall be handed in equal shares to the Hongkong and Shanghai Banking Corporation and the Deutsch-Asiatische Bank before payment to the Chinese Imperial Government of the proceeds of the loan.

This Loan shall also be further secured by deposit with the Hongkong and Shanghai Banking Corporation and the Deutsch-Asiatische Bank of Sterling Customs-Lekin Monthly Bonds equal in value altogether to the total amount of the loan principal and interest sealed by the Chinese Superintendent of Customs at Shanghai and by the Viceroy of the Liang Kiang provinces and countersigned by the foreign Commissioner of Customs at Shanghai. In the event of the money to meet a payment of interest and/or sinking fund not being handed to the Hongkong and Shanghai Banking Corporation and the Deutsch-Asiatische Bank at their branches in Shanghai on due date these Customs-Lekin Monthly Bonds shall be available everywhere in China for payment of Imperial Maritime Customs duties and/or Lekin dues or in such other manner as stated in the Bonds and the Provincial Authorities shall be instructed by Imperial Edict accordingly.

Auszug

aus dem

in der Obligation erwähnten Verträge.

Die Kaiserlich Chinesische Regierung ermächtigt die Hongkong and Shanghai Banking Corporation und die Deutsch-Asiatische Bank, eine Kaiserlich Chinesische vierundeinhalbprocentige Gold-Anleihe im Betrage von Sechszehn Millionen Pfund Sterling zu emittiren.

Die Dauer der Anleihe soll fünfundvierzig Jahre betragen und die Rückzahlung des Kapitals soll vermittelt einer jährlichen Tilgungsquote erfolgen, welche in monatlichen Raten durch die Kaiserlich Chinesische Regierung an die beiden Banken in Uebereinstimmung mit dem diesem Verträge beigegebenen Amortisationsplan gezahlt werden soll. Während der erwähnten Dauer von fünfundvierzig Jahren soll die Amortisation nicht verstärkt, auch die Anleihe durch die Chinesische Regierung weder convertirt, noch zurückgezahlt werden.

Die Banken sollen die Anleihe ausgeben und werden hierdurch ermächtigt, Obligationen in Pfund Sterling für den Gesamtbetrag der Anleihe in derjenigen Fassung, sowie in denjenigen Sprachen und Beträgen, welche den genannten Banken geeignet erscheinen, auszugeben. Diese Obligationen sollen durch den Chinesischen Gesandten in London oder Berlin untersiegelt werden zu Urkund dessen, dass die Kaiserlich Chinesische Regierung durch diese Obligationen verpflichtet ist.

Die gesammte Anleihe von Sechszehn Millionen Pfund Sterling soll für Kapital und Zinsen sichergestellt werden: 1) durch die Einnahmen aus den Kaiserlich Chinesischen Seezöllen dergestalt, dass die bestehenden in dieser Weise bereits sichergestellten Anleihen der gegenwärtigen im Range vorangehen; 2) durch Verpfändung zur ersten Stelle, frei von allen Lasten, der Likin-Zölle und -Steuern von folgenden Häfen und Districten, deren Verwaltung fortan der Oberaufsicht des General-Inspectors der Chinesischen Seezoll-Verwaltung unterstellt ist, nämlich: des allgemeinen Likin von Soochow, Sunghu, Kiukiang und des östlichen Chekiang-Districtes, des Salz-Likin von Ichang, des Hupeh- und Anhui-Districtes. Die gegenwärtige Anleihe soll — so lange sie, oder ein Theil davon, noch nicht zurückgezahlt ist — für Kapital und Zinsen an den vorbezeichneten Seezoll- und Likin-Einnahmen ein Vorzugsrecht vor allen zukünftigen Anleihen, Belastungen oder Verpfändungen haben.

So lange die gegenwärtige Anleihe nicht vollständig getilgt ist, soll keine Anleihe, Belastung oder Verpfändung vorgenommen werden, welche dem Range der gegenwärtigen Anleihe vorangeht oder in gleichem Range mit derselben steht, oder welche in irgend einer Weise die durch die Seezoll- und Likin-Einnahmen gegebene Sicherheit vermindern oder verschlechtern könnte, soweit diese Einnahmen für den Dienst der Anleihe erforderlich sind; jede spätere Anleihe, welcher die vorbezeichneten Seezoll- und Likin-Einnahmen zur Sicherheit dienen sollen, sowie jede spätere Belastung oder Verpfändung derselben soll der gegenwärtigen Anleihe im Range nachstehen und dies in jedem Verträge über eine solche Anleihe, Belastung oder Verpfändung Ausdruck finden.

Die Verwaltung der Seezölle soll in der gegenwärtigen Verfassung während der ganzen Dauer dieser Anleihe bestehen bleiben.

Wenn zu irgend einer Zeit die vorbezeichneten Seezoll- und Likin-Einnahmen in Folge eines Sinkens des Silberpreises, Rückganges der Erträge oder aus einer anderen Ursache sich für die Bezahlung der Zinsen oder die Rückzahlung des Kapitals als unzureichend erweisen sollten, so wird die Kaiserlich Chinesische Regierung sofort für die nöthigen Beträge weiter genügende Einkünfte zur Sicherheit überweisen und deren Verwaltung der Oberaufsicht des General-Inspectors der Chinesischen Seezoll-Verwaltung unterstellen.

Für den Fall, dass die Kaiserlich Chinesische Regierung während des Bestehens dieser Anleihe über die Revision des Seezoll-Tarifs, verbunden mit Abmachungen über eine Herabsetzung oder Aufhebung des Likin, in Verhandlung treten sollte, so ist einerseits vereinbart, dass eine solche Tarif-Revision nicht durch die Thatsache der Sicherstellung der Anleihe durch die vorgenannten Likin-Zölle und -Steuern gehindert werde, und andererseits, dass die für diese Anleihe verpfändeten Likin-Zölle und -Steuern weder herabgesetzt noch abgeschafft werden dürfen, es sei denn durch ein Uebereinkommen mit der Hongkong and Shanghai Banking Corporation und der Deutsch-Asiatischen Bank und auch dann nur gegen Verpfändung der in Folge einer solchen Tarif-Revision erhöhten Einkünfte der Kaiserlich Chinesischen Seezoll-Verwaltung in gleichem Betrage und zu erster Stelle.

Behufs angegebener Sicherstellung werden für den Gesamtbetrag von Kapital und Zinsen der Anleihe in Sterling jährliche Seezoll-Likin-Obligationen durch das Tsung-Li-Yamên und die Finanzbehörde in Peking ausgestellt und gesiegelt, welche von dem General-Inspector der Kaiserlichen Seezölle gegengezeichnet sind und sämtlich die Prioritäts- und Verpfändungs-Klausel dieses Vertrages enthalten. Diese jährlichen Seezoll-Likin-Obligationen sollen zu gleichen Theilen der Hongkong and Shanghai Banking Corporation und der Deutsch-Asiatischen Bank ausgehändigt werden, bevor der Chinesischen Regierung der Erlös der Anleihe ausbezahlt wird.

Außerdem werden monatliche Seezoll-Likin-Obligationen im Betrage der ganzen Anleihe nebst Zinsen der Hongkong and Shanghai Banking Corporation und der Deutsch-Asiatischen Bank in China übergeben. Diese Obligationen werden mit den Siegeln des Chinesischen Zoll-Superintendenten in Shanghai und des Vice-Königs der Liang-Kiang-Provinzen und mit der Unterschrift des europäischen Zolldirectors in Shanghai ausgefertigt. Im Falle, dass das zur Zahlung der Zinsen und/oder des Amortisationsbetrages nöthige Geld bei Fälligkeit nicht an die Niederlassungen der Hongkong and Shanghai Banking Corporation und der Deutsch-Asiatischen Bank in Shanghai ausgehändigt sein sollte, können diese monatlichen Zoll-Likin-Obligationen zur Bezahlung sowohl von Seezöllen, als Likin-Zöllen und -Steuern überall in China verwendet werden in der Weise, wie es in diesen Obligationen vorgeschrieben ist; die Provinzial-Behörden werden durch kaiserliches Edict demgemäss instruiert.

Coupons (Front & Reverse)

Chinese Imperial Government
4 1/2 % Gold Loan of 1898.
Coupon No. 90 Bond C. No 052212
 for **Two Pounds, five shillings**
 being a half-year's interest due **1st March 1943**,
 payable in London at the office of the Hongkong and Shanghai
 Banking Corporation or in Berlin at the office of the Deutsch-
 Asiatische Bank and at the other
 places named on the back hereof. **£ 2. 5 s.**

Chinese Imperial Government
4 1/2 % Gold Loan of 1898.
Coupon No. 89 Bond C. No 052212
 for **Two Pounds, five shillings**
 being a half-year's interest due **1st September 1942**,
 payable in London at the office of the Hongkong and Shanghai
 Banking Corporation or in Berlin at the office of the Deutsch-
 Asiatische Bank and at the other
 places named on the back hereof. **£ 2. 5 s.**

Chinese Imperial Government
4 1/2 % Gold Loan of 1898.
Coupon No. 88 Bond C. No 052212
 for **Two Pounds, five shillings**
 being a half-year's interest due **1st March 1942**,
 payable in London at the office of the Hongkong and Shanghai
 Banking Corporation or in Berlin at the office of the Deutsch-
 Asiatische Bank and at the other
 places named on the back hereof. **£ 2. 5 s.**

Chinese Imperial Government
4 1/2 % Gold Loan of 1898.
Coupon No. 87 Bond C. No 052212
 for **Two Pounds, five shillings**
 being a half-year's interest due **1st September 1941**,
 payable in London at the office of the Hongkong and Shanghai
 Banking Corporation or in Berlin at the office of the Deutsch-
 Asiatische Bank and at the other
 places named on the back hereof. **£ 2. 5 s.**

Chinese Imperial Government
4 1/2 % Gold Loan of 1898.
Coupon No. 86 Bond C. No 052212
 for **Two Pounds, five shillings**
 being a half-year's interest due **1st March 1941**,
 payable in London at the office of the Hongkong and Shanghai
 Banking Corporation or in Berlin at the office of the Deutsch-
 Asiatische Bank and at the other
 places named on the back hereof. **£ 2. 5 s.**

Chinese Imperial Government
4 1/2 % Gold Loan of 1898.
Coupon No. 85 Bond C. No 052212
 for **Two Pounds, five shillings**
 being a half-year's interest due **1st September 1940**,
 payable in London at the office of the Hongkong and Shanghai
 Banking Corporation or in Berlin at the office of the Deutsch-
 Asiatische Bank and at the other
 places named on the back hereof. **£ 2. 5 s.**

Chinese Imperial Government
4 1/2 % Gold Loan of 1898.
Coupon No. 84 Bond C. No 052212
 for **Two Pounds, five shillings**
 being a half-year's interest due **1st March 1940**,
 payable in London at the office of the Hongkong and Shanghai
 Banking Corporation or in Berlin at the office of the Deutsch-
 Asiatische Bank and at the other
 places named on the back hereof. **£ 2. 5 s.**

Chinese Imperial Government
4 1/2 % Gold Loan of 1898.
Coupon No. 83 Bond C. No 052212
 for **Two Pounds, five shillings**
 being a half-year's interest due **1st September 1939**,
 payable in London at the office of the Hongkong and Shanghai
 Banking Corporation or in Berlin at the office of the Deutsch-
 Asiatische Bank and at the other
 places named on the back hereof. **£ 2. 5 s.**

Kaiserlich Chinesische
4 1/2 % Staatsanleihe in Gold von 1898.
 Coupon No. **90** zur Obligation **C. No 052212**
 über **Zwei Pfund und fünf Schilling Sterling**
 halbjährliche Zinsen, zahlbar am **1. März 1943**,
 zum Tagescourse für 8tägige Sterling-Wechsel auf London
 bei der Deutsch-Asiatischen Bank in Berlin und bei den von
 dieser Bank zu beauftragenden Firmen in Berlin, Hamburg,
 Frankfurt a. M. und Köln, sowie in London bei der Hongkong and
 Shanghai Banking Corporation. **£ 2. 5 Schill. Stg.**

Kaiserlich Chinesische
4 1/2 % Staatsanleihe in Gold von 1898.
 Coupon No. **89** zur Obligation **C. No 052212**
 über **Zwei Pfund und fünf Schilling Sterling**
 halbjährliche Zinsen, zahlbar am **1. September 1942**,
 zum Tagescourse für 8tägige Sterling-Wechsel auf London
 bei der Deutsch-Asiatischen Bank in Berlin und bei den von
 dieser Bank zu beauftragenden Firmen in Berlin, Hamburg,
 Frankfurt a. M. und Köln, sowie in London bei der Hongkong and
 Shanghai Banking Corporation. **£ 2. 5 Schill. Stg.**

Kaiserlich Chinesische
4 1/2 % Staatsanleihe in Gold von 1898.
 Coupon No. **88** zur Obligation **C. No 052212**
 über **Zwei Pfund und fünf Schilling Sterling**
 halbjährliche Zinsen, zahlbar am **1. März 1942**,
 zum Tagescourse für 8tägige Sterling-Wechsel auf London
 bei der Deutsch-Asiatischen Bank in Berlin und bei den von
 dieser Bank zu beauftragenden Firmen in Berlin, Hamburg,
 Frankfurt a. M. und Köln, sowie in London bei der Hongkong and
 Shanghai Banking Corporation. **£ 2. 5 Schill. Stg.**

Kaiserlich Chinesische
4 1/2 % Staatsanleihe in Gold von 1898.
 Coupon No. **87** zur Obligation **C. No 052212**
 über **Zwei Pfund und fünf Schilling Sterling**
 halbjährliche Zinsen, zahlbar am **1. September 1941**,
 zum Tagescourse für 8tägige Sterling-Wechsel auf London
 bei der Deutsch-Asiatischen Bank in Berlin und bei den von
 dieser Bank zu beauftragenden Firmen in Berlin, Hamburg,
 Frankfurt a. M. und Köln, sowie in London bei der Hongkong and
 Shanghai Banking Corporation. **£ 2. 5 Schill. Stg.**

Kaiserlich Chinesische
4 1/2 % Staatsanleihe in Gold von 1898.
 Coupon No. **86** zur Obligation **C. No 052212**
 über **Zwei Pfund und fünf Schilling Sterling**
 halbjährliche Zinsen, zahlbar am **1. März 1941**,
 zum Tagescourse für 8tägige Sterling-Wechsel auf London
 bei der Deutsch-Asiatischen Bank in Berlin und bei den von
 dieser Bank zu beauftragenden Firmen in Berlin, Hamburg,
 Frankfurt a. M. und Köln, sowie in London bei der Hongkong and
 Shanghai Banking Corporation. **£ 2. 5 Schill. Stg.**

Kaiserlich Chinesische
4 1/2 % Staatsanleihe in Gold von 1898.
 Coupon No. **85** zur Obligation **C. No 052212**
 über **Zwei Pfund und fünf Schilling Sterling**
 halbjährliche Zinsen, zahlbar am **1. September 1940**,
 zum Tagescourse für 8tägige Sterling-Wechsel auf London
 bei der Deutsch-Asiatischen Bank in Berlin und bei den von
 dieser Bank zu beauftragenden Firmen in Berlin, Hamburg,
 Frankfurt a. M. und Köln, sowie in London bei der Hongkong and
 Shanghai Banking Corporation. **£ 2. 5 Schill. Stg.**

Kaiserlich Chinesische
4 1/2 % Staatsanleihe in Gold von 1898.
 Coupon No. **84** zur Obligation **C. No 052212**
 über **Zwei Pfund und fünf Schilling Sterling**
 halbjährliche Zinsen, zahlbar am **1. März 1940**,
 zum Tagescourse für 8tägige Sterling-Wechsel auf London
 bei der Deutsch-Asiatischen Bank in Berlin und bei den von
 dieser Bank zu beauftragenden Firmen in Berlin, Hamburg,
 Frankfurt a. M. und Köln, sowie in London bei der Hongkong and
 Shanghai Banking Corporation. **£ 2. 5 Schill. Stg.**

Kaiserlich Chinesische
4 1/2 % Staatsanleihe in Gold von 1898.
 Coupon No. **83** zur Obligation **C. No 052212**
 über **Zwei Pfund und fünf Schilling Sterling**
 halbjährliche Zinsen, zahlbar am **1. September 1939**,
 zum Tagescourse für 8tägige Sterling-Wechsel auf London
 bei der Deutsch-Asiatischen Bank in Berlin und bei den von
 dieser Bank zu beauftragenden Firmen in Berlin, Hamburg,
 Frankfurt a. M. und Köln, sowie in London bei der Hongkong and
 Shanghai Banking Corporation. **£ 2. 5 Schill. Stg.**



ANNEX III

At an interview at the Wai-wu Pu on the 28th May you intimated that the terms of this note were not sufficiently explicit as to China's intentions, and requested a further statement in the matter.

"In the 7th Article of the Loan Agreement of 1896 and in the 6th Article of the Loan Agreement of 1898 it is stipulated 'that the administration of the Chinese Imperial Maritime Customs shall remain as at present constituted during the currency of this loan,' and I have the honor to state that the Imperial Decree of the 9th May specially appointing High Commissioners to control (or manage) revenue affairs does not make any change in the method of Administration laid down in the Loan Agreements.

"While communicating the above to you, for the information of His Majesty's Government, I avail, etc."

The references in the second paragraph of the above note are to the loan agreements concluded with the Hongkong and Shanghai Banking Corporation and the Deutsch-Asiatische Bank, March 23, 1896 (No. 1896/2, *ante*) and March 1, 1898 (No. 1898/3, *post*).

NUMBER 1898/3.

GERMANY (Deutsch-Asiatische Bank), GREAT BRITIAN (Hongkong and Shanghai Banking Corporation) AND CHINA.

Agreement for the Chinese Imperial Government 4½% Gold Loan of 1898.—March 1, 1898.*

This Agreement is made between the Tsungli Yamen Peking acting on behalf of the Imperial Government of China of the one part and the Hongkong and Shanghai Banking Corporation and the Deutsch Asiatische Bank, hereinafter called "the Banks" of the other part.

Whereas a simple Memorandum of Agreement for an Imperial Chinese Government four and a half percent Gold Loan of Sixteen Million pounds sterling was executed between the Imperial Government of China and the Hongkong and Shanghai Banking Corporation on the nineteenth day of February last; and Whereas on the twenty-fifth day of February last telegraphic advice was received from the Banks in Europe that they are prepared to issue the loan on the conditions specified in that Memorandum of Agreement:

It is now agreed as follows.

1.—The Imperial Government of China hereby authorizes the Banks to issue an Imperial Chinese four and a half percent Gold Loan for the amount of Sixteen Million pounds sterling. The Loan shall be dated the first day of March One thousand eight hundred and ninety eight.

2.—The rate of interest for the loan shall be four and a half per cent per annum on the nominal principal, that is shall be seven hundred and twenty thousand pounds Sterling per annum: the interest on the loan shall be calculated from the first day of March One thousand eight hundred and ninety eight, and shall be paid by the Chinese Imperial Government to the Banks in monthly

*In connection with this agreement see also the Agreement for the Chinese Imperial Government 5% sterling loan of 1896, signed March 23, 1896 (No. 1896/2, *ante*).

instalments in accordance with the amounts and dates of the Schedule attached to this Agreement.

3.—The term of the loan shall be forty-five years and repayments of principal shall be made by yearly sinking fund of One hundred and fifteen thousand two hundred and thirty-two pounds sterling which shall be paid by the Chinese Imperial Government to the Banks in monthly instalments in accordance with the amounts and dates of the schedule attached to this agreement. During the said term of forty-five years the amortization shall not be increased nor the loan redeemed nor converted by the Chinese Imperial Government.

4.—The total monthly payment due for amortization and interest, and amounting to sixty nine thousand six hundred and two pounds thirteen shillings and four pence sterling shall be made in equal shares and in accordance with the amounts and dates of the schedule attached to this Agreement, to the Hongkong and Shanghai Banking Corporation and the Deutsch-Asiatische Bank by the Chinese Imperial Government, who shall hand to those Banks at their Branches in Shanghai on the dates named in the schedule funds in Shanghai sycee sufficient to meet each such payment in sterling in Europe, the rate of exchange for which shall be settled with those two Banks on the same day. The Banks retain the right to rearrange the service of interest and repayments of principal to the Bondholders on such terms as they deem advisable.

In reimbursement of expenses incurred in connection with the distribution of the service to Bondholders of the principal and interest of the loan, the Banks shall receive from the Chinese Imperial Government a commission of a quarter percent on the annual loan Service, say an amount of two thousand and eighty eight pounds one shilling and eight pence sterling per annum, to be paid to the Banks on the dates provided in the schedule attached to this Agreement.

5.—The Banks shall issue, and are hereby authorized to issue to subscribers to the loan, Bonds for the total amount of the loan in pounds sterling, in such form, in such languages and for such amounts as shall appear advisable to the Banks; and these Bonds shall be sealed by the Minister for China in London or Berlin as evidence that the Chinese Imperial Government is bound thereby.

In the event of Bonds issued for this loan being lost, stolen or destroyed, the Banks shall immediately notify the Chinese Minister in London or Berlin thereof, who shall authorize the Banks to insert an advertisement in the public newspapers notifying that payment of the same has been stopped and to take such other steps as required by the laws of the country: should such Bonds not be recovered after the lapse of time provided by the law the Chinese Minister in London or Berlin shall, without further authority from the Chinese Imperial Government, seal and execute duplicate Bonds for a like amount and hand them to the Banks, by whom all expenses in connection therewith shall be defrayed.

6.—This entire loan of Sixteen Million pounds sterling shall be secured as follows:

- (1) By a charge on the revenues of the Imperial Maritime Customs of

China, subject to previous loans already charged on the security thereof and not yet redeemed.

(2) By a first charge, free from all encumbrances, upon the following revenues to be forthwith placed under the control of the Inspector General of Maritime Customs:

General Lekin of Soochow, estimated at.....	Tls. 800,000
General Lekin of Sung Hu, estimated at.....	1,200,000
General Lekin of Kiukiang, estimated at.....	200,000
General Lekin of Eastern Chekiang, estimated at.....	1,000,000
Salt Lekin of Ichang, estimated at.....	1,000,000
Salt Lekin of Hupeh, estimated at.....	500,000
Salt Lekin of Anhui, estimated at.....	300,000

Total five million taels.

Tls. 5,000,000

This entire loan of Sixteen million pounds Sterling shall have priority, both as regards principal and interest, over all future loans, charges or mortgages, so long as this loan or any part thereof shall be unredeemed. No loan, charge or mortgage shall be raised or created which shall take precedence of or be on an equality with this loan, or which shall in any manner lessen or impair its security over the said Customs and lekin revenues, so far as required for the Annual Service of this loan, and any future loan, charge or mortgage charged on the said Customs or lekin revenue shall be made subject to this loan, and it shall be so expressed in every Agreement for any such future loan, charge or mortgage.

The Chinese Imperial Government undertake that the administration of the Chinese Imperial Maritime Customs service shall remain as at present constituted during the currency of this loan.

In the event of the Customs and lekin revenues specified and pledged by this clause being at any future time insufficient for the service of principal and interest of this loan, either owing to depreciation of Silver, diminution of revenue or any other cause the Chinese Imperial Government hereby engages to appropriate, and forthwith place under the control of the Inspector General of Maritime Customs, further revenues sufficient to complete the amount required.

In the event of the Chinese Government, during the currency of this loan, entering upon negotiations for a revision of Customs tariff accompanied by stipulations for decrease or abolition of lekin, it is hereby agreed, on the one hand, that such revision shall not be barred by the fact that this loan is secured by lekin and, on the other hand, that whatever lekin is pledged for the service of this loan shall neither be decreased nor abolished except by arrangement with the Banks and then only in so far as an equivalent is substituted for it in the shape of a first charge upon the increase of Customs revenue consequent on such revision.

7.—This loan shall be further secured by Customs/lekin Annual Bonds for the total amount in sterling of the loan, principal and interest, issued and sealed by the Tsungli Yamen and the Board of Revenue Peking, and countersigned

by the Inspector General of Maritime Customs, and all such Customs/lekin Annual Bonds shall contain the Clause No. 6 of this Agreement from its commencement as far as the words: "for any such future loan charge or mortgage". These Customs/lekin Annual Bonds shall be handed in equal shares to the Hongkong and Shanghai Banking Corporation and the Deutsch-Asiatische Bank before payment to the Chinese Imperial Government of the proceeds of the loan.

8.—This loan shall also be further secured by deposit with the Hongkong and Shanghai Banking Corporation and Deutsch-Asiatische Bank of sterling Customs/lekin monthly Bonds equal in value altogether to the total amount of the loan, principal and interest, sealed by the Chinese Superintendent of Customs at Shanghai and by the Viceroy of the Liang-kiang Provinces, and countersigned by the Foreign Commissioner of Customs at Shanghai. These Customs/lekin monthly Bonds shall be handed to the Hongkong and Shanghai Banking Corporation and Deutsch-Asiatische Bank at their Branches at Shanghai in equal shares on or before the first day of June next and, in the event of the money to meet a payment of interest and/or sinking fund not being handed to the Hongkong and Shanghai Banking Corporation and Deutsch-Asiatische Bank at their Branches at Shanghai on due date shall be available everywhere in China for payment of Imperial Maritime Customs duties and/or lekin dues or in such other manner as stated in the Bonds and the Provincial Authorities shall be instructed by Imperial Edict accordingly.

9.—The Chinese Imperial Government hereby undertakes to pay the entire balance of the Indemnity due on the eighth day of May next to the Imperial Japanese Government out of the proceeds of this loan. No further loan shall be issued by the Chinese Imperial Government except through the Banks, until a period of twelve months has elapsed after the issue of the total amount of this loan.

10.—All Bonds and coupons and payments made and received in connection with the service of this loan shall be exempt from Chinese taxes and imposts forever.

11.—All details necessary for the Prospectus and connected with the service to the Bondholders of the interest and repayments of the principal of this loan, not herein explicitly provided for, shall be left to the arrangement of the Banks, who shall issue, and are hereby authorized to issue a Prospectus of the loan as soon as possible after the signing of this Agreement. The Chinese Imperial Government will instruct the Chinese Ministers in London and Berlin in communication with the Commissioner of Chinese Customs in London to cooperate with the Banks in any matters requiring conjoint action, and the Chinese Minister in Berlin shall sign the Prospectus of the loan as required by the rules of the Berlin stock-exchange.

12.—The Banks hereby take the loan firm at the price of eighty three percent net on the nominal principal to the Chinese Imperial Government, and will hold the net proceeds, namely thirteen million two hundred and eighty thousand pounds sterling to the order of the Chinese Imperial Government in London and/or Berlin as follows:

On the sixth day of May, one thousand eight hundred and ninety eight	£12,000,000
On the sixth day of June, one thousand eight hundred and ninety eight	1,280,000
	<hr/>
Total thirteen million two hundred and eighty thousand pounds sterling	£13,280,000

13.—In the event of any extraordinary political or financial crisis taking place in Europe or elsewhere by which the markets are so violently affected as to render the successful floating of this loan impossible on the terms herein named the Banks have the right to withdraw from this contract with the Chinese Imperial Government, and it shall in that case become null and void.

14.—Immediately on the signature of this Agreement, and before the Prospectus of the Loan shall be issued to the public the Tsungli Yamen shall memorialize the Throne and obtain an Imperial Edict confirming and sanctioning the provisions of this Agreement, and shall then instruct the Inspector General of Maritime Customs to assume control forthwith over the revenues therein indicated; the Imperial Edict so received shall be communicated officially, and without delay, by the Tsungli Yamen to the Ministers for Great Britain and Germany in Peking.

15.—The Hongkong and Shanghai Banking Corporation and the Deutsch-Asiatische Bank shall take the loan in equal shares and without responsibility for each other.

16.—Quadruplicate sets of this Agreement are executed in English and Chinese, one set to be retained by each contracting party and one set by the Inspector General of Maritime Customs. In the event of any doubt arising regarding the interpretation of this contract the English text shall be accepted as the standard.

Signed at Peking by the contracting parties this ninth day of the second month of the twenty fourth year of the Emperor Kuang-hsü being the first day of March one thousand eight hundred and ninety eight, Western Calendar.

<i>For the Hongkong and Shanghai Banking Corporation,</i>	
(Sgd.)	E. G. HILLIER, <i>Agent</i>
<i>For the Deutsch-Asiatische Bank,</i>	
(Sgd.)	RUMP.

Schedule of Interest and Sinking-fund Payments

Date	Interest	Sinking-fund	Total
1898			
July 5th.....	£120,000	£19,205/6/8	£139,205/6/8
July 20th.....	120,000	19,205/6/8	139,205/6/8
August 5th.....	120,000	19,205/6/8	139,205/6/8
			<hr/>
			£417,616/-/-

September 5th.....	£ 60,000	£ 9602/13/4	£69,602/13/4
October 5th.....	60,000	9602/13/4	69,602/13/4
November 5th.....	60,000	9602/13/4	69,602/13/4
December 5th	60,000	9602/13/4	69,602/13/4

and the same payment of sixty nine thousand six hundred and two pounds thirteen shillings and four pence shall be repeated on the fifth day of each month of the year one thousand eight hundred and ninety nine Western Calendar and of each succeeding year until the fifth day of February one thousand nine hundred and forty three inclusive, that being the last payment when the loan will be extinguished.

In addition to the payment of principal and interest scheduled above, the Chinese Imperial Government shall on the fifth day of February of each year, commencing with the fifth day of February one thousand eight hundred and ninety nine, pay to the Banks in equal shares at their Branches in Shanghai the sum of Two thousand and eighty eight pounds one shilling and eight pence being the commission of one quarter percent on the Annual Service of the loan, provided for in clause four of the accompanying Agreement.

(Sgd.)

E. G. HILLIER.

(Sgd.)

RUMP.

NUMBER 1898/4.

GERMANY AND CHINA.

Convention respecting the lease of Kiaochow.—March 6, 1898.*

The incidents connected with the Mission in the Prefecture of Tsao-chau-foo, in Shantung, being now closed, the Imperial Chinese Government consider it advisable to give a special proof of their grateful appreciation of the friendship

* Translation from the German text as printed in *Customs*, Vol. II, p. 208. The German text of Section 1 was printed in *Das Staatsarchiv*, vol. 61, No. 11518; translations from that version and from an unofficial version of Sections II and III are printed in *Rockhill*, p. 45; *Am. Int. Law Journal, Supplement*, 1910, p. 285; *Hertslet*, p. 350; *Kent*, p. 259. See also *China, 1899*, No. 1, pp. 67 and 152.

In connection with this convention see also the following documents:—

1. Anglo-German Declaration respecting Weihaiwei, April 20, 1898 (attached to No. 1898/14, *post*);
2. Anglo-German bankers' arrangement respecting spheres of interest in railway construction, September 2, 1898 (attached to No. 1900/5, *post*);
3. Declarations made to the United States regarding the open-door policy, March 20, 1900 (No. 1900/2, *post*);
4. Anglo-German Declaration defining their mutual policy in China, October 16, 1900 (No. 1900/5, *post*);
5. Declaration of war by Japan against Germany, August 23, 1914 (No. 1914/9, *post*);
6. Treaty between Japan and China respecting the Province of Shantung (with accompanying exchanges of notes), May 25, 1915 (No. 1915/8, *post*); and
7. Treaty of Peace between the Allied and Associated Powers, and Germany, June 28, 1919 (No. 1919/1, *post*).

Concerning customs matters, see the following:—

1. Agreement between Germany and China for the establishment of a maritime customs