LEAGUE OF NATIONS

FINANCIAL COMMITTEE

REPORT TO THE COUNCIL ON THE WORK
OF THE TWENTY-FIFTH SESSION OF THE COMMITTEE

(held in Geneva from December 2nd to 8th, 1926)

AND

Resolutions adopted by the Council at its Forty-Third Session

A. REPORT OF THE FINANCIAL COMMITTEE

INTRODUCTION

The Financial Committee has the honour to submit to the Council the following report on the work of its Twenty-fifth Session, held in Geneva from December 2nd to 8th, 1926.

The following members were present:

M. Pospisil (Chairman),
M. Aoki,
M. Bianchini,
M. de Chalendar,
M. Dubois,
M. Janssen,
M. Melchior,
M. Ter Meulen,
Sir Otto Niemeyer,
Sir Henry Strakosch.

The following also attended part of the meetings:

1. M. Ador, Chairman of the Economic and Financial Committee.

2. For the Settlement of Greek Refugees:

M. Dendramis, Greek Chargé d'Affaires at Berne;
M. Mantzavinos, Director in the Ministry of Finance.

3. For the Settlement of Bulgarian Refugees:

(a) Representatives of Bulgaria:

M. Sarafoff, Director-General for the Settlement of Refugees;
M. Ivanoff, Governor of the National Bank of Bulgaria;
M. Mikoff, Bulgarian Chargé d'Affaires at Berne.

(b) Representatives of the neighbour States:

M. Comnene, Roumanian Minister at Berne;
M. Yovanovitch, Minister at Berne of the Kingdom of the Serbs, Croats and Slovenes;
M. Dendramis, Greek Chargé d'Affaires at Berne.

(c) M. Charron, Commissioner of the League of Nations in Sofia.
4. For the Financial Situation of Danzig:
   (a) Representatives of the Free City:
       Dr. Sahm, President of the Senate;
       Dr. Volkmann, Senator in charge of financial questions;
       M. Fuchs, Senator;
       M. Siebenfreund, Senator.
       Dr. Ferrer, Government Counsellor.
   (b) Representative of Poland:
       Dr. Strasburger, Commissioner-General of Poland at Danzig.
   (c) Dr. van Hamel, High Commissioner of the League of Nations in Danzig.

5. For the Banking and Currency Situation in Estonia:
   M. Sepp, Estonian Minister of Finance;
   Mr. Williamson, Financial Adviser to the Estonian Government.
   M. Luther, Member of the Council of the Estonian Bank.

6. For Questions relating to the Balance of the Austrian Reconstruction Loan:
   M. von Pflügl, Representative of the Austrian Federal Republic at the League of Nations;
   Dr. Reisch, President of the Austrian National Bank.
   Mr. Kay, Adviser to the Austrian National Bank;
   M. Rost van Tonningen, Representative in Vienna of the Trustees of the Reconstruction Loan.

7. For Questions relating to the Balance of the Hungarian Reconstruction Loan:
   Mr. Royall Tyler, Representative in Budapest of the Trustees of the Reconstruction Loan.

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**Summary**

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**I. Settlement of Greek Refugees.**

The Financial Committee has examined the twelfth quarterly report of the Greek Refugee Settlement Commission describing the progress of the work of settlement during the months September, October and November 1926.

No question arises for decision.

The Committee has learnt with great regret that Sir John Campbell is resigning, as from January 15th next, his position as member of the Commission appointed by the Council—a post which he has held since the beginning of the Commission's work.

In him the Commission will lose the last of its original members. His presence during these last three years has formed a most valuable element of permanence and stability among many vicissitudes and amidst great difficulties. The Committee desires to record its appreciation of
the ability and indefatigable zeal which he has consistently devoted to this enterprise, of his
conspicuous mastery of it in all its aspects and details, and of the valuable help which he has
afforded the Committee on many occasions by his comprehensive knowledge of the facts of a situa-
tion and by the sound judgment which he has brought to bear on them.

II. SETTLEMENT OF BULGARIAN REFUGEES.

A.

1. The Financial Committee has examined at its present session the first report (supple-
mented by an additional report (see Annex I) of M. Charron, Commissioner of the League of
Nations in Bulgaria, together with the letter of December 1st, 1926, addressed to the Council by
the representatives of the Greek, Roumanian and Serb-Croat-Slovene Governments.

2. The Committee has also had an opportunity of hearing the delegate of the Bulgarian
Government, M. Sarafoff, Director-General of Refugee Settlement, the delegates of the three
Powers mentioned above, and the Commissioner.

3. The Commissioner’s first report covers the period from September 15th to November 15th.
The report shows that a beginning has already been made with the application of the plan drawn
up. A great part of the necessary legislation has been voted by the Bulgarian Parliament or is
now being discussed by it. A quantity of seed has been distributed and a considerable number of
refugee families will be able to reap a first harvest next year. The Financial Committee notes that
the documents of identity which must be supplied by refugees in receipt of relief from the proceeds
of the loan, and which it has not been possible to obtain in advance, will be submitted to the
Commissioner at a later date in order to avoid all loss of time in making the sowings.

The Financial Committee hopes that it will be possible, thanks to the new organisation created
by the Bulgarian Government, in virtue of Article VI of the Protocol, under the direction of
M. Sarafoff, to submit at the next session the general plan for the settlement of refugees referred
to in paragraph 1 of Article VII of the Protocol, the publication of which has hitherto been pre-
vented for the reasons stated in the Commissioner’s report. The Financial Committee recommends
the Council to take note of the Commissioner’s first report.

4. The supplement to the Commissioner’s first report referred to above (Annex I) is intended
to provide the Council with a basis for a decision on the points left unsettled at its last session with
regard to the 50-kilometre zone.

After examining the question with the delegates of the Bulgarian Government, and of the
Greek, Roumanian and Serb-Croat-Slovene Governments, and after hearing the Commissioner,
the Financial Committee recommends the Council to adopt the following resolution. (This Resolu-
tion, which was adopted by the Council, is given on page 16 [Resolution II 1].)

B.

1. The Financial Committee also had the privilege of hearing M. Ivanof, Governor of the
National Bank of Bulgaria, who informed the Committee of the changes made by the Bulgarian
Government in the Bank Statutes approved by the Committee. The Committee declared itself
in agreement with these changes. The Committee also noted certain omissions or errors; it
understands that these omissions and errors will be made good in the course of the present parlia-
mentary session.

The Committee was also informed that the legislation containing the new Statutes of the
Bank of Issue would enter into force on January 1st, 1927, and it expresses the hope that from
this date onwards these new Statutes will be strictly applied, particularly as regards the placing
of fresh money in the Bank by the State with a view to increasing the paid-up capital up to a
total of 1 milliard leva. Moreover, those of the Bank’s present operations which are not in
conformity with the new Statutes will have to be systematically eliminated from the Bank’s
balance-sheet, so that the latter may as soon as possible be placed on a clean basis.

2. The Committee thinks it desirable that it should receive every three months (as in the
case of Greece), information regarding all the factors of Bulgaria’s financial situation (including,
if necessary, the position of the budget and of the Bank) which affect or are liable to affect either
the execution of the plan or the guarantees of the loan.

3. The Committee considered a letter from M. Molloff, Minister of Finance, dated November
20th, 1926, (Annex II) stating that, in agreement with the Financial Committee, and in
conformity with a decision of the Inter-Allied Commission at Sofia on October 27th, 1926, the
Bulgarian Government has assigned to the service of the refugee loan, in addition to the net
revenue of the Match Monopoly, the receipts classified under Items 15 and 16 of the budget for
the year 1926–27, and these same revenues for the subsequent budgetary periods.

The Committee recommends the Council to take note of this statement.
III. Financial Situation of the Free City of Danzig.

In its September report, which was approved by the Council on September 20th, the Financial Committee declared that, if certain conditions were fulfilled, it would be prepared to recommend the issue of a loan by the Free City of Danzig.

1. The Committee regrets that, owing to various circumstances, it has not yet been possible to fulfil all these conditions. At the same time, it is glad to note that substantial progress has already been made.

(a) The Committee is particularly glad to note that the negotiations with Poland regarding the allocation of Customs duties have led to the signing of an Agreement in Geneva on September 20th. This Agreement, which has already been put provisionally into force, though it still awaits ratification, gives a satisfactory basis for the balancing of the Danzig budget.

(b) The Senate has adopted an amending budget for the financial year 1926 and has limited the total net expenditure for 1927 and 1928 to specified sums, which the Committee regards as satisfactory.

(c) The Senate has undertaken to reduce the number of officials by 400 in the budget for 1927 as compared with the budget for 1926, and 200 in the budget for 1928, whilst it thinks a further reduction of 200 may be possible.

The Senate has submitted to the Volkstags a bill for reducing the number of the members of the Volkstags and of the Senate. In this connection the Committee would like to recall that any reduction which it may be possible to make in the number of members of legislative bodies may be included in the reduction of the number of officials, which the Committee recommended in its September report has to amount to 400 in each of the next two financial years.

(d) The Senate has submitted to the Financial Committee certain suggestions as to the simplification of the budget and the accounting system which the Committee considers would be an improvement. An agreement has also been reached regarding the form in which the returns of cash revenue and expenditure and of liabilities will be periodically published in future.

(e) The Senate has obtained from nearly all the State and Municipal officials, with very few exceptions, a declaration that they abandon voluntarily a part of their salaries, in certain cases up to 13 per cent, which will be binding till the Senate declares that the exceptional financial difficulties have ceased to exist.

(f) The Senate has obtained from the Volkstags full powers to take the necessary measures for the introduction of a Tobacco Monopoly. The Senate has adopted a decree on this subject.

(g) The Senate has submitted to the Volkstags a bill relating to unemployment relief, with a view to reducing the fiscal burden of the State.

2. There is one new feature in the situation to which the Committee desires to draw attention. The Danzig Government has informed the Committee that negotiations, as contemplated by the Financial Committee in its September report, are about to take place with the competent authorities for a settlement of the Peace Treaty liabilities, and has asked that the amount of the loan should be increased, so as to meet payments under this head. If such a solution is desired the Financial Committee is prepared to agree to an appropriate increase in the loan total.

3. The Financial Committee considers that the receipts of the Tobacco Monopoly and — if necessary for the increased total of the loan — the excise on spirits (including the excise in vinegar) should be assigned for the service of the loan; and that the Government should undertake that, if at any time the receipts from these two revenues should amount to less than 150 per cent of the sum required for the service of the loan, they will assign further revenues agreed to by a trustee as sufficient to bring the total assigned revenues up to 150 per cent.

The Committee considers that if during a period of five years the receipts of the Tobacco Monopoly had each year amounted to more than 150 per cent of the service, the pledge of the excise on spirits might cease, subject to the continued obligation defined above to assign additional revenues if the assigned revenues should later fall below 150 per cent.

4. The Committee wishes to add that the loan it has in mind would be an international one, i.e., issued in more than one country.

5. Certain of the conditions approved in September not yet having been fulfilled, the Financial Committee does not, however, consider that the issue of a loan, under the auspices of the League, can be definitely recommended at this moment.

All the same, as the points on which settlement is still required are limited and definite, and as the problem is urgent, the Committee recommends that the Council might give a conditional approval at once, and now authorise the issue of a loan, under the auspices of the League, subject to the verification by the Financial Committee of the following steps having been taken:

(a) The final approval of the Customs Agreement of September 20th, 1926, by Poland and Danzig.

(b) The definite conclusion between Poland and Danzig of a satisfactory agreement for the introduction of a Tobacco Monopoly. The Committee considers that the best form

1 "Branntweinsteuer (einschl. Essigsaure-Verbrauchszabgabe)"
of monopoly would be a State monopoly administered by a private company founded by an international consortium.

(c) The receipt of an undertaking by the Senate that the number of officials will be reduced by a further 400 in all, instead of 200, during the financial years 1927 and 1928.

(d) The receipt of a notification of an agreement between Danzig and the competent authorities as to the settlement of the obligations under the Peace Treaties, towards which, as explained above, a part of the loan may be devoted.

(e) The receipt of a notification of the agreement of the Harbour Board with regard to the proposed modification of their existing loan from the Municipality.

(f) And that all formalities which may be required by Article 7 of the Treaty of Paris have been fulfilled.

The Committee would observe that, except as regards paragraph 2 above, these conditions as to the issue of the loan are in conformity with the September report; and that the authority which the Council is asked to delegate to the Committee is limited to the verification of definite facts.

In addition, the Committee asks authority to approve, in accordance with the usual custom, the terms of the loan contract, and to establish machinery to secure that the proceeds of the loan are devoted exclusively to purposes approved by the Committee and in accordance with the scheme.

The Committee considers that the above procedure should enable the loan to be issued before the next meeting of the Council, if, as it hopes, the conditions approved by the Council are fulfilled before that date, while reserving the opportunity to the Council to re-examine the question in March if, for any reasons, that should not prove possible.

IV. BANKING AND CURRENCY REFORM IN ESTONIA.

The Financial Committee has considered a request from the Estonian Government for advice regarding certain financial reforms now under consideration by the Estonian Government. The Estonian Government had requested that a member of the Financial Committee should visit Estonia in order to make an enquiry on the spot. Accordingly M. Janssen visited Estonia (November 30th to December 2nd) and submitted a report to the Committee, supplemented by verbal explanations. In addition, the Committee had the advantage of receiving further explanations from M. Sepp, the Finance Minister of Estonia, and Mr. Williamson, Financial Adviser to the Estonian Government.

It may be convenient in the first instance to recall the previous history of this question. On September 13th, 1924, the Estonian Government requested the Council to procure an authoritative opinion on the financial and monetary situation of Estonia. Accordingly, the Financial Committee was requested by the Council to study the matter with a view to giving the desired opinion, and a delegation consisting of M. Avenol, Deputy Secretary-General of the League of Nations, and Mr. Loveday, Head of the Economic Intelligence Service, visited Estonia in January 1925 and submitted a report which was approved by the Financial Committee and adopted by the Council in March of that year (document C.240.M.92.1925).

This report contained recommendations that the existing Statutes of the Bank of Estonia should be amended so as to make the Bank completely independent of the State, that the metal reserve of the State should be handed over to the Bank of Estonia and that the State note circulation should be transferred and amalgamated with that of the Bank. Moreover, the Financial Committee expressed the view that, "before the situation can be considered normal, it will be necessary to relieve the Eesti Pank of the large quantity of frozen credits with which it is burdened." At the same time, the Committee suggested that the Estonian Government "might also consider the question of founding a Mortgage Institute to take over all long-term operations which are at present effected by the Government."

It is in order to carry the above recommendations into practical effect that the Estonian Government has again approached the Financial Committee. The Committee would emphasise the fact that the Estonian budget has been balanced since 1922 and that the economic condition of the country has materially improved during the last two years. The Central Bank is, however, burdened with a large amount of illiquid credits of which it is essential that it should be relieved.

The Financial Committee is of opinion that, in order to carry out the monetary reform and to render liquid the position of the Bank, it will be necessary for the Estonian Government to raise a foreign loan secured by specific Estonian revenues.

The scheme which the Financial Committee proposes may therefore be summarised as follows:

(a) A currency law.

(b) The reform of the Statutes of the Bank of Issue.

(c) The transference to the Bank of Issue of the State note issue, together with the gold and other assets held against it.
The establishment of a Mortgage Institute.

A foreign loan.

The scheme proposed may now be described in greater detail.


The Financial Committee recommends that, simultaneously with the passing of the Bank Statutes, a new monetary law should be enacted. It is not thought advisable that Estonia should go to the expense of putting gold coins into domestic circulation. The currency system should be based on the gold exchange standard.

2. Bank of Issue.

The main principles on which the Statutes of the reformed Bank of Issue should be drafted may be set out as follows:

A. Functions.

1. The Bank must have the sole right of note issue. The Government and local authorities must have no right to issue notes or to borrow from the Bank, except in the case of the Government, which may borrow in temporary anticipation of revenue and subject to prescribed conditions of repayment.

2. The Bank must be a central bank, fulfilling the functions of a bankers' bank.

3. The Bank should guide the monetary policy of the country and fix the bank rate. Its duty is to keep the value of the monetary unit stable, neither attempting an appreciation nor allowing a depreciation.

4. The Bank should not allow interest on current accounts or accept fixed-time deposits.

5. The main business of the Bank should be the discounting of commercial bills of a self-liquidating character, corresponding to real and normal transactions; these bills should bear the signature of at least two solvent persons and should not have a longer currency than 90 days, except in the case of agricultural and timber bills, for which a maximum currency of six and nine months respectively may be admitted.

In no case should the Bank make, or be entitled to make, unsecured loans or give long-term credit.

6. The Bank should act as cashier for the State.

B. Management and Control.

7. The Eesti Pank should be founded as a private company with a paid-up share capital of 500 million Emk. It is contemplated that, in the first instance, it will be unavoidable that the whole of this capital will have to be taken up by the Government; but the Government undertakes to endeavour to dispose of its shares by public issue or otherwise after the new Statutes of the Bank have been in operation for a period of two years.

8. The direction of the Bank should be entrusted to a Board of Directors six of whom should be representative of the general economic interests of the country. The President of the Bank should be nominated by the Government of the Republic for a period of five years. Two members of the management with a seat on the Board of Directors should be nominated by the President from among the Managers of the Bank. The Managers of the Bank should be appointed and may be dismissed by the Board of Directors. All the first-appointed Managers of the Bank should, however, be approved by the Government.

To assist the successful execution of this plan and in order to increase the confidence of lenders, it will be necessary for a period of three years to associate with the Bank an adviser. This adviser might be nominated by the Council of the League of Nations. His powers should be similar to those of the advisers to other national banks and relate solely to the affairs of the bank.

9. The statutes should contain appropriate provisions with regard to reserves.

10. The Bank should publish each week a detailed balance sheet of its position.

C. General.

The Bank as at present constituted is practically a State Department with no independent capital. The Government has, however, from time to time made advances to the Bank out
of its own independent reserve, advances which at the present amount to 2,372 million Emk. The Treasury note issue amounts to 1,942 million Emk., against which the Government holds gold amounting to 537 million Emk.

When the Government note issue is handed over to the Bank, the following position would therefore result:

<table>
<thead>
<tr>
<th>Description</th>
<th>Emk. (000,000's)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Treasury notes in circulation</td>
<td>1,548</td>
</tr>
<tr>
<td>Treasury notes in Bank</td>
<td>394</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>1,942</strong></td>
</tr>
<tr>
<td>Treasury gold unpledged</td>
<td>537</td>
</tr>
<tr>
<td>Leaves Treasury liabilities on account of notes</td>
<td>1,405</td>
</tr>
<tr>
<td>Treasury assets with the Bank</td>
<td>2,372</td>
</tr>
<tr>
<td>Less Treasury note liabilities as above</td>
<td>1,405</td>
</tr>
<tr>
<td><strong>Surplus</strong></td>
<td><strong>967</strong></td>
</tr>
</tbody>
</table>

It is recommended that this surplus of 967 million Emk. should be utilised by the Government for relieving the Eesti Pank of part of its illiquid assets.

Further, these assets should be written down to the extent of 200 million Emk. out of the Government profit from the operations of the Bank during the year 1926.

The total loans, discounts and advances of the Eesti Pank amount to 5,882 million Emk. The Committee is of the opinion that, of this sum, assets amounting to approximately 3,000 million Emk., mainly mortgage loans, are of such a character that it is imperative that the Bank of issue should be relieved of them. It recommends therefore that £1,000,000 sterling, which is equivalent to 1,800,000,000 Emk., from the foreign loan should be paid by the Estonian Government to the Bank in exchange for long-term assets of a similar amount. The Bank would thus be left, after deducting the 967 million Emk. referred to above, plus the equivalent of £1 million sterling, namely, 1,800 million Emk., plus the 200 million Emk. written down, with a balance of 2,915 million Emk. of discounts, loans and advances.

Of this balance the Financial Committee considers that credits amounting to approximately 1,500 million Emk., though more liquid than those referred to above, are still mainly long-term in character. It recommends therefore that these should only be left with the bank of issue provided that they are guaranteed by the Government and that they are liquidated at the earliest possible date.

The approval of the Bank Adviser should be obtained with reference to the selection both of those credits which should be transferred to the Mortgage Institute and of those which should be retained under a Government guarantee.

1. The situation of the Eesti Pank on September 30th, 1926, was as follows:

<table>
<thead>
<tr>
<th>Assets</th>
<th>Liabilities</th>
</tr>
</thead>
<tbody>
<tr>
<td>Gold</td>
<td>Capital fully paid up</td>
</tr>
<tr>
<td>Foreign bank notes</td>
<td>Reserve funds</td>
</tr>
<tr>
<td>Foreign correspondents' accounts</td>
<td>Premises depreciation fund</td>
</tr>
<tr>
<td>Treasury notes and small coins</td>
<td>Notes in circulation</td>
</tr>
<tr>
<td>Foreign bills</td>
<td>Time deposits</td>
</tr>
<tr>
<td>Home bills</td>
<td>Government long-term deposits</td>
</tr>
<tr>
<td>Advances on current accounts</td>
<td>Current accounts of the Treasury and other State Institutions</td>
</tr>
<tr>
<td>Other loans</td>
<td>Other current accounts</td>
</tr>
<tr>
<td>Commercial credits and guarantees</td>
<td>Liabilities in foreign currency</td>
</tr>
<tr>
<td>Bonds</td>
<td>Commercial credits and guarantees</td>
</tr>
<tr>
<td>Sundry accounts</td>
<td>Sundry accounts</td>
</tr>
<tr>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
</tr>
<tr>
<td>8,205</td>
<td>8,205</td>
</tr>
</tbody>
</table>
If the measures suggested above were applied to this particular balance-sheet, the position of the bank would be modified approximately as follows:

<table>
<thead>
<tr>
<th>Assets</th>
<th>Liabilities</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Gold</strong></td>
<td><strong>Capital</strong></td>
</tr>
<tr>
<td>Bank</td>
<td>250</td>
</tr>
<tr>
<td>Government</td>
<td>250</td>
</tr>
<tr>
<td></td>
<td><strong>Reserves</strong></td>
</tr>
<tr>
<td></td>
<td>500</td>
</tr>
<tr>
<td>Foreign loan</td>
<td><strong>Premises depreciation fund</strong></td>
</tr>
<tr>
<td>1,800</td>
<td>7</td>
</tr>
<tr>
<td>Foreign assets, net</td>
<td><strong>Notes in circulation</strong></td>
</tr>
<tr>
<td>286</td>
<td>3,432</td>
</tr>
<tr>
<td>Discounts, loans and advances</td>
<td><strong>Current accounts</strong></td>
</tr>
<tr>
<td>5,882</td>
<td>2,138</td>
</tr>
<tr>
<td>Less:</td>
<td><strong>(Guarantees)</strong></td>
</tr>
<tr>
<td>Government's deposit transferred</td>
<td>534</td>
</tr>
<tr>
<td>Foreign loan</td>
<td><strong>Sundry accounts</strong></td>
</tr>
<tr>
<td>1,800</td>
<td>689</td>
</tr>
<tr>
<td>Written off</td>
<td><strong>Written off</strong></td>
</tr>
<tr>
<td>200</td>
<td>200</td>
</tr>
<tr>
<td>(Guarantees)</td>
<td><strong>489</strong></td>
</tr>
<tr>
<td>Sundry accounts</td>
<td></td>
</tr>
<tr>
<td>357</td>
<td></td>
</tr>
<tr>
<td>Bonds</td>
<td></td>
</tr>
<tr>
<td>151</td>
<td></td>
</tr>
<tr>
<td>Small coins</td>
<td></td>
</tr>
<tr>
<td>20</td>
<td></td>
</tr>
<tr>
<td></td>
<td><strong>7,103</strong></td>
</tr>
<tr>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Cover</strong></td>
<td>58.6 per cent of total of current liabilities.</td>
</tr>
</tbody>
</table>

3. **Mortgage Institute.**

It is suggested that the long-term assets amounting to 2,767,000,000 Emk. should be transferred from the Eesti Pank to a special Mortgage Institute to be established by the Government. The primary function of this Institute should be to liquidate gradually these outstanding loans; but it might grant further credits secured by mortgages out of its own capital or any further sums raised by the issue of mortgage bonds to the public without recourse in any circumstances to the Bank of Issue.

This Mortgage Institute would be under the direct control of the Government. The Committee is of opinion that this Institute should receive a sum of £350,000 as working capital.

4. **A Foreign Loan.**

(a) An international loan yielding an effective sum of £1,350,000 is thus required.

(b) The Financial Committee proposes that the loan should be secured on certain assigned revenues of the Estonian State, with the provision that additional revenues should be assigned if necessary and that these assigned revenues should be placed under the control of a Trustee to be appointed by the Council of the League of Nations, in accordance with the terms of the Protocol, the draft of which is attached to this report.

(c) The Financial Committee proposes that the revenues assigned to the service of the loan should be the excise duties on:

- Tobacco,
- Beer,
- Matches and other minor articles.

The actual yield of these revenues during the year 1925 was 488 million Emk. The estimated yield according to the budget for the fiscal year 1926-27 is 500 millions, of which about 400 million from tobacco and the greater part of the remainder from beer. There is reason to believe, in view of the actual yield to date, that the effective revenue from excise duties will exceed the estimates by at least 50 million Emk.

If the yield of these revenues proves inadequate, the Trustee should, in accordance with Article II of the Protocol, be empowered to demand the allocation of additional revenues.

The Financial Committee considers, however, that the excise duties are sufficient to be assigned in the first instance.

The Financial Committee recommends that these assigned revenues should be held in a blocked account controlled by the Trustee and that it should be his duty to retain such sums as are required for the service of the loan.

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The Committee has already discussed with the Estonian Finance Minister rough provisional drafts of the proposed new currency law, of the law relating to the transference of the Government
note issue to the Bank of Issue, and of the law for the reform of the Bank of Issue, including the Statutes of the Bank; and on the general principles incorporated in these drafts, agreement has been reached. The Committee proposes, either itself or through a Sub-Committee, to approve the final text of the said laws in accordance with Article V of the Protocol.

The Committee submits to the Council, for its consideration, the name of M. Janssen as Trustee of the loan.

In conclusion, the Committee recommends to the Council the annexed draft Protocol (see Annex III) for signature by the duly authorised representative of the Estonian Government.


The Committee will submit a separate report on this question.

V. COUNTERFEIT CURRENCY.

As already reported to the Council, the Financial Committee, after its session in London last July, sent a questionnaire to the Banks of Issue in the different countries in order to obtain their opinion regarding the repression of counterfeit currency.

The Committee has so far received replies from twenty countries (out of forty-three to which the questionnaire was sent); several of these replies deal with the question in great detail. The Financial Committee has come to the following provisional conclusions: The Committee has noted with satisfaction that nearly all the Banks of Issue which have hitherto replied are in favour of the conclusion of an international convention on counterfeit currency. In the opinion of the Financial Committee, such a convention should contain proposals both for legislative measures and for measures of co-operation between the judicial authorities and the Police in the different countries.

It has been suggested that the convention should also cover the forging of cheques, bills of exchange and the various instruments of credit. The Committee does not consider that it is at the present time desirable thus to extend the scope of the convention to be concluded.

With regard to the legislative aspect of the problem, the Committee is of opinion that there is no need to insist upon the unification of the laws of the different countries, but that it would serve the purpose if under the convention the different States accepted certain common principles and measures:

(a) All practices of counterfeiting should be covered by the law.

(b) All these practices should be prohibited and penalised without its being necessary to prove intent to defraud; in the absence of intent to defraud, the penalty might be lighter.

(c) All counterfeiting or uttering of counterfeit money should be regarded as an ordinary criminal offence for which the State will prosecute.

(d) A State on whose territory the offence of counterfeiting or uttering the currency of another State is committed must punish this offence with the same severity as if the criminal acts had concerned its own currency. Such treatment should depend neither upon reciprocity nor adhesion to a convention.

(e) A State whose nationals have counterfeited or uttered foreign money outside the country must punish such nationals as if the crime had been committed in the country.

(f) The principle of extradition for counterfeiting must be regulated on a uniform basis.

With regard to the practical aspect of the problem, the Financial Committee is of opinion that, in order to supply a basis for useful international co-operation, it is exceedingly desirable that in every country enquiries and prosecutions should be organised under a single Police office, which would be in close touch with the national bank of issue. Further, it would be necessary to authorise these central Police offices in all countries to establish direct contact with one another. The convention should leave to States the option of organising a closer liaison through a joint office, while the establishment of an international central bureau would depend upon how this co-operation develops.

The Committee has confined itself to indicating the general features of the problem which it considers capable of serving as a basis for the discussion and preparation of an international draft convention.

With regard to the procedure to be followed in the future, as considered by the Council at its meeting on June 10th, 1926, the Committee suggests that it might perhaps be better to set up a small mixed committee consisting of specialists in international criminal law, prosecution authorities, delegates of the banks of issue, and one or two representatives of the Financial Committee.

Accordingly, the Committee recommends to the Council the creation of a committee of this kind, to which would be forwarded the provisional conclusions of the Financial Committee mentioned above.
VI. Questions relating to the Balance of the Austrian Reconstruction Loan.

The Financial Committee, in conformity with its report of September last, adopted by the Council on September 7th, has considered and given its approval to the detailed programme submitted to it by the Austrian Government for the employment of the available balance of the reconstruction loan. This balance amounts to about 60 million schillings.

VII. Questions relating to the Balance of the Hungarian Reconstruction Loan.

The Committee considered a report from M. ter Meulen and heard a statement from Mr. Tyler on the expenditure of part of the unexpended portion of the reconstruction loan in accordance with the programme authorised by the Council in December 1925.

No question for decision arises.

The Committee has received from Mr. Tyler the closed accounts of the expenses of the Commissariat at Budapest during the entire period of reconstruction. The total amount for the whole period of two years and two months is 86,000 dollars, or only about two-thirds of the amount authorised.

Annex I.

Settlement of Bulgarian Refugees.

Supplementary Report to the Financial Committee by M. Charron.

The present report is intended to provide the Financial Committee with a basis for a decision on the points left unsettled at its last session with regard to the 50-kilometre zone.

* * *

In September, the Financial Committee reserved the right to consider at the present session whether it will be necessary, in order to carry out the settlement plan contemplated:

1. To establish refugees within a zone of less than 50 kilometres in the districts of:
   (a) Provadia-Varna;
   (b) Mastanla-Ortkeni-Svilengrad.

2. To make exceptions to the principle that the refugees to be installed in the zone along the Danube between Lom and Svichtof should not be of Roumanian origin.

* * *

I. General Considerations.

(a) In the interests of the settlement plan as contemplated by the League of Nations, and in order that this plan should achieve with greater certainty the pacification which is its essential purpose, the rule laid down by the Financial Committee and by the Council must be maintained, namely, no new settlement should be established within 50 kilometres of the frontiers of the three States, apart from the specific exceptions authorised. On the other hand, it must be remembered in this connection that some refugees are already settled within this zone, in places where, for geographical or other reasons, the prospect of a return to normal conditions is somewhat uncertain; in such cases also, these refugees should be encouraged to accept land in such conditions that our essential object may be attained.

(b) Bulgaria is not a very large country.

   Its greatest breadth, in a straight line from north to south, is approximately 250 kilometres, and its greatest length from east to west 400 kilometres.

   The total area of the country is 103,000 square kilometres.

1 This part of the Committee's report was approved by the Council at its meeting of December 9th, 1926.
The prohibited zones, according to the information supplied by the Bulgarian Government, represent, approximately:

<table>
<thead>
<tr>
<th>Zone</th>
<th>Sq. km.</th>
</tr>
</thead>
<tbody>
<tr>
<td>On the Roumanian frontier</td>
<td>26,000</td>
</tr>
<tr>
<td>On the Serb-Croat-Slovene</td>
<td>18,500</td>
</tr>
<tr>
<td>On the Greek frontier</td>
<td>12,500</td>
</tr>
<tr>
<td></td>
<td>57,000</td>
</tr>
</tbody>
</table>

The figure given above for the zone along the Roumanian frontier includes the regions for which permission has already been granted to settle refugees other than those of Roumanian origin. Even if this exception is taken into account, it may be said that the limitation imposes reduces the available area to half the total surface of the country.

(c) Bulgaria is poor in arable land.

According to the census of December 31st, 1920, the density per square kilometre is 48, while it reaches 136 in the cultivable regions.

An effort should therefore be made to avoid over-populating the cultivable areas and to increase the amount of arable land by drainage and preparing land for agriculture wherever this is possible and necessary in connection with the settlement of refugees. This is the case particularly in the districts along the Danube in the north, and in the southern districts.

(d) Apart from this consideration, which applies solely to free land or land which can be rendered free, the districts over which the refugees are to be distributed must comply in the matter of climate, crops and Customs with the conditions in which they have lived hitherto. This is an essential principle to be observed, if we are to maintain the productive character of the settlements by rendering them stable, and thus facilitate the assimilation of the refugees by the local population. Bulgaria is divided in this respect into two quite distinct regions—the north, which has a continental climate (cultivation of cereals); and the south, where Mediterranean conditions prevail (tobacco, vines, silk-worms, etc.).

(e) A large number of refugees, as will be seen below, are already settled at a distance of less than 50 kilometres from the three frontiers. They came there of their own accord, either on their arrival in Bulgaria or subsequently, because they knew they would find there conditions of life identical with those they had always known. In this connection it may be pointed out that large numbers of refugees which the Bulgarian Government had sent to the northern districts have gradually drifted towards the south.

Many refugees within the zone have already been able to instal themselves in a manner which can be completed at a small cost by means of a loan, so as to render their establishment definitive, by granting them live-stock and equipment, or a sum of money equivalent thereto. Any attempt to transfer them would certainly result in waste, even were there any available land elsewhere, which is not the case. They would, moreover, be unwilling to leave. They have gradually and with great effort improved the land on which some of them have been settled for several years now, until it gives an almost normal yield. By heavy sacrifices they have been able to build or buy dwellings which in many cases have not yet been entirely paid for. To refuse them aid, moreover, and to discriminate against them for reasons which they could not understand, would produce among these people a state of mind very different from that which it is the object of this scheme to secure.

(f) The fact that refugees have been present in the country for several years raises a number of particular cases which cannot always be foreseen. The rules which the Financial Committee will lay down with regard to the 50-kilometre zone should be sufficiently elastic in their application to allow provision to be made for exceptional cases, which could not be met under the regulations themselves.

II. Special Considerations.

1. Roumanian Frontier Zone.

For about 400 kilometres the Danube forms the frontier. There is no bridge across the river, and the latter therefore constitutes a natural obstacle over 2 kilometres in average breadth.

From Lom to the Black Sea about 3,000 refugee families have been established in the frontier zone, of whom about half have come from Roumania.

In the region between Lom and Svichtof-Bela, which is already admitted as an exception to the 50-kilometre rule — in other words over a distance of about 170 kilometres — the number of families from Roumania does not at the present time exceed 20. The rest, about 1,500, are at present situated between Bela-Rustchuk and Varna.

It may be calculated that about two-thirds of the 3,000 families now living in the zone between Lom and the Black Sea have already installed themselves in such a manner that, with a little help, they could be established satisfactorily. The other 1,000 families — of which a small number are of Roumanian origin — should receive assistance on a larger scale, either in their present locality or elsewhere.

The amount of arable land available in the zone between Lom and Svichto-Bela, which is bounded on the north by the Danube, is considerable, particularly now that the marshes along the river have been drained; the latter ought to provide about 300,000 decares, about a third of which could be utilised for refugee settlement.

2. Serb-Croat-Slovene Frontier Zone.

Between Vidin on the north and Petritch in the south, about 4,000 refugee families are installed at a distance of less than 50 kilometres from the frontier.
Of these, 2,500 families are still in a very precarious situation, but the rest only require limited assistance.

On this frontier the 50-kilometre zone possesses little available land. Not merely can no new families be sent there but it will be necessary to remove several hundreds of families from this region to instal them in a more favourable locality.

3. Greek Frontier Zone.

From Nevrokop on the west to the Maritsa on the east, the zone includes about 6,000 families, of whom half are more or less satisfactorily installed. To the east of the Maritsa the region is no longer, except for a short stretch, contiguous with the Greek frontier, but it is nevertheless situated less than 50 kilometres from that frontier; slightly over 600 families are installed there.

For a considerable distance the frontier runs along the crest of a mountain chain, the summits of which are 1,000 or even 2,000 metres high, and might therefore constitute the "effective natural barrier" mentioned in section 4 (a) of the Financial Committee’s report of September 6th, 1926. From Dara-Dere to the south of Mastanla only one road crosses the frontier from Mastanla to Gumuljina. The distance by road from Mastanla to the frontier is 39 kilometres. It is a very sparsely populated region.

In the Ortakeni region the mountains are not so high, and several roads cross the frontier. This region is separated from the Svilengrad region on the east by the Maritsa, which is here 150-200 metres broad. These districts enjoy a Mediterranean climate and are consequently suitable for intensive cultivations, tobacco, etc. Cereals are very little grown, the requirements of the population being generally met by imports from Northern Bulgaria. There are, furthermore, large arable surfaces, mainly those abandoned by the Turks, while further large stretches could be turned into plough land. According to existing figures, over 100,000 decares are ready for cultivation and could be utilised immediately. In those districts a maximum of 15 decares will be allowed to each family on account of the fertility of the soil and the nature of the crops; this area is sufficient to maintain one family.

III. Proposals.

1. In conformity with Section 4,1 (a) of the Financial Committee’s report dated September 6th, it is understood that no new refugee settlements will be set up within 50 kilometres of the frontiers of the three neighbouring States, apart from the exceptions already admitted and those proposed below.

2. In the case of refugees already settled within 50 kilometres of the three frontiers, the Commissioner will endeavour to settle them, in accordance with the Protocol, elsewhere than in this zone, in so far as the existence of suitable land will allow and taking into account the considerations set out in Chapter I above.

3. There is no need to maintain the exception to the 50-kilometre rule foreshadowed by the Financial Committee in its Report of September 6th, 1926, for the Varna-Provadia region.

4. As regards the derogations from the principle that the refugees to be settled in the Danube zone, as defined in the Financial Committee’s report of September 6th, 1926, shall not be of Roumanian origin, permission is requested to instal families of Roumanian origin in this zone, it being understood that they shall be settled, as far as possible, in regions farthest from the river.

5. As regards the southern frontier, permission is requested to allow an exception to the 50-kilometre principle in the Mastanla region, and in the Svilengrad and Ortakeni regions, it being understood that:

(a) No settlement under the loan shall be established within 10 kilometres of the frontier;

(b) As far as possible, refugees coming from Greece shall be settled at the greatest possible distance from their place of origin.

Annex II.

SETTLEMENT OF BULGARIAN REFUGEES.

Letter from M. Molchoff, Minister of Finance of Bulgaria, to the President of the Council of the League of Nations.

[Translation.]

London, November 26th, 1926.

Article III of the Protocol signed by the Bulgarian Government at Geneva on September 8th, 1926, concerning the settlement of Bulgarian refugees, prescribes that the Bulgarian Government will furnish, as securities for the settlement loan, the following revenues:

The excise duty on salt,
The excise duty on alcohol,
The net receipts of the Match Monopoly.
The Bulgarian Government desires to inform the Council that the revenues which have been assigned as security for the service of the Loan, the issue of which is authorised by the Protocol, consist, in addition to the net receipts from the Match Monopoly, of the revenues classified under Chapters 15 and 16 of the Budget for 1926-27 and derived from the excise duties levied not only on salt and alcohol but on all other commodities specified in the attached annex.

It is unnecessary to say that the same revenues will continue to be appropriated to the service of the Loan in the succeeding budget years.

The Bulgarian Government agrees in this matter with the Financial Committee of the League of Nations, which, in its report of June 9th, 1926, recommended that adequate receipts producing a total of about 19.7 million gold francs should be assigned as security for the Loan. The revenues specified above have, in point of fact, produced the amount stated in 1925-26 and are expected to produce a slightly higher amount in 1926-27. The Bulgarian Government would also add that, under a rider dated October 27th, 1926, to its decision of July 22nd, 1926, the Inter-Allied Commission at Sofia has waived, in favour of these revenues, its right to the general first charge held by it in virtue of Part VIII of the Treaty of Neuilly.

Finally, the Government wishes to add that arrangements have been made for the collection of these revenues whereby the yield is paid, as from October 15th, 1926, into a special account under the control of the Commissioner of the League of Nations, as prescribed in Article IV, paragraph 2, of the Protocol.

(Signed) MOLLOFF,
Minister of Finance.

Schedule of Goods liable to Excise and classified in Chapters 15 and 16 of the Budget for the Year 1926-27.

Chapter 15. — "Excises on alcohol and sundry home-produced or imported beverages, soda-water and lemonade ".

A. Excises on home-produced or imported goods:
   Alcohol (pure) and derivatives, whether for heating, industry or vinegar.
   Beer.
   Carbonic acid.

B. Excises imposed solely on imported goods:
   Liqueurs.
   Aerated waters.
   Lemonades.

Chapter 16: headed in the Budget "Excises on salt and other home-produced or imported goods ".

A. Excises on home-produced and imported goods:
   Salt.
   Cane or beet sugar.

B. Excises imposed solely on imported goods:
   Fish, cured.
   Rice.
   Bananas.
   Sundry spices.
   Benzine, petroleum, gasoline,
   turpentine, nitro-benzine.
   Calcium carbide.
   Sweetmeats and biscuits.
   Chocolates and caramels.
   Cocoa and coffee.
   Preserved fruits, jams and syrups.
   Ice.
   Balsams.
   Vanilla and cinnamon.
   Snuff and cigars.
   Olives.
   Candles, paraffin and stearine.
   Vinegar.
   Tea.
   Glucose.
   Other kinds of sugar.

Fish, cured.
   Sweetened products.
   Italian paste products.
   Perfumery.
   Toilet articles.
   Cosmetics.
   Dentifrices, etc.
   Aromatic oils and essences.
   Soap.
   Vegetable oils.
   Sweetened or alcoholised medicines.
   Preserved fruits.
   Sundry foodstuffs and preserved foodstuffs.
   Barley, cooked.
   Cheese.
   Chicory.
   Cleaned (milled) rice.
   Pepper.
   Preserved caviar.
   Scented paper.
Annex III.

Protocol regarding Currency and Banking Reform in Estonia.

Whereas the Estonian Government has made certain proposals involving the issue by that Government of a loan the yield of which shall be applied for the purpose of establishing the currency on a gold or gold exchange basis, relieving the "Eesti Pank" of certain assets unsuitable for a Bank of Issue and founding a Mortgage Institute for the latter purpose;

And whereas it is desirable that such loan should be issued under the auspices of the League of Nations;

And whereas the Council has approved for this purpose the provisions of the present Protocol:

The undersigned, duly authorised for the purpose, accepts on behalf of Estonia the following provisions:

Article I. Loan.

1. For the purpose of carrying out the provisions of Article IV, and subject to the enactment by the Estonian Legislature and the approval by the Financial Committee of the League of Nations of the legislation contemplated by Article V, the Estonian Government may issue a loan for the objects hereinafter described, yielding an effective sum equivalent to not more than one million three hundred and fifty thousand pounds sterling; the expenses of issue, negotiation and delivery shall be added to the capital of the loan as fixed above.

2. The yield of this loan may not be employed except in conformity with the provisions of the present Protocol.

3. The capital and interest of the loan contemplated under paragraph 1 above shall be paid by the Estonian Government free of all deduction in respect of taxes, dues or charges for the benefit of the Estonian State.

4. The conditions of the loan, the issue price, the rate of interest, the amortisation, and the expenses of issue, of negotiation and of delivery shall be submitted for approval on behalf of the Financial Committee of the League of Nations to a person appointed by the Committee for this purpose; the amount of the annuity necessary for the service of interest and amortisation of the loan shall likewise be so approved.

5. The yield of the loan shall be paid as directed by the Trustee to be appointed by the Council of the League of Nations (Article III) into a special account or accounts which he, or such person or persons as may be appointed by him for this purpose, may alone control.

Article II. Securities and First Charge.

1. The Estonian Government will furnish as securities for the loan contemplated under Article I the following revenues:

Excise duties on:
(a) Tobacco,
(b) Beer,
(c) Matches and other minor articles.

2. The amount required for the service of the loan, together with the service of any pre-existing loan entitled to be treated pari passu with any secured loan, shall be, and shall remain, a first charge upon the revenues mentioned in paragraph 1, and the Estonian Government acknowledges that such revenues shall stand charged accordingly.

3. The revenues mentioned in paragraph 1 shall not be used as a security for any new loan without the consent of the Trustee of the present loan.

4. The Estonian Government will not take any measures which, in the opinion of the Trustee, would be such as to diminish the aggregate value of the revenues mentioned in paragraph 1 to such an extent as to threaten the security of the bondholders.

All decisions taken by the Trustee in virtue of this paragraph shall require confirmation by the Council if, within fourteen days of the notification of any such decision by the Trustee to the Estonian Government, the latter shall have lodged an appeal against it with the Council.

5. If the total yield during any quarter of the financial year of the revenues or assets already assigned shall be found to be below 150 per cent of one-quarter of the annual sum required to meet the service of the loan, the Trustee may demand that additional revenues or assets sufficient to assure the immediate restoration of the yield to the above percentage be assigned. In case of dispute, the Estonian Government shall have the right to appeal to the Council within fourteen days of the notification of the aforesaid demand on the grounds either that the said total yield during any quarter has not fallen below 150 per cent of one quarter of the said annual sum or that the additional revenues or assets demanded are not necessary to restore the percentage.
Article III. Trustee.

1. The Council of the League of Nations will appoint a Trustee of the loan, and the Estonian Government accepts that the Trustee shall fulfil the functions and perform the acts assigned to him in this Protocol until the loan and every part thereof shall have been completely discharged.

The Estonian Government shall provide the Trustee with any information he may request for the exercise of his functions.

2. The revenues mentioned in Article II, paragraph 1, shall be paid into a special account as and when collected, for the purpose of assuring the service of the loan. The Trustee, or such person or persons as may be appointed by him for this purpose, shall alone control this account.

3. Any balance of the account not retainable in accordance with the following provisions or with the terms of issue of the loan shall be reimbursed to the Estonian Government, subject, however, to the powers conferred on the Trustee in the event of a default under paragraph 5 (b) below.

4. The remuneration of any person or persons appointed by the Trustee to control the accounts mentioned in paragraph 2 above and in Article I, paragraph 5, shall be fixed by the Trustee in agreement with the Estonian Government or, in the event of disagreement, be determined by the Council of the League of Nations.

5. The terms on which the loan is issued shall include, among other provisions:
   (a) Provisions as to the amounts which, at the intervals fixed by such terms, shall be set aside by the Trustee and retained for the service of the loan, including interest, amortisation and all charges, commissions or other payments to be met by the Estonian Government in connection therewith.
   (b) Power for the Trustee to retain, collect, or otherwise provide out of the said revenues (including such other revenues as may be brought into the charge under the provisions of Article II, paragraph 5) sufficient sums to remedy and make good any default of the Estonian Government in whole or in part in carrying out any of its obligations contained in the conditions of the loan.

Article IV. Employment of the Loan.

The yield of the loan shall be applicable to, and the Trustee shall permit payments to be made therefrom, for the following purposes only:
   (1) The payment by the Estonian Government to the Bank of Issue of an amount equivalent to one million pounds sterling, in exchange for long-term assets of the Bank.
   (2) The application by the Estonian Government of the balance of the loan for the establishment of a Mortgage Institute.

Article V. Legislation.

The Estonian Government undertakes to submit to the Estonian legislature within three months of the signature of this Protocol:
   (a) A law for reforming the Bank of Issue, including the Statutes of the said Bank;
   (b) A law for the transfer to the Bank of Issue of the State note issue;
   (c) A currency law.

The laws enumerated above shall be drafted on the lines of the Report of the Financial Committee (see IV, page 6). The text of the said laws shall be submitted for approval to such person or persons as the Financial Committee of the League of Nations shall appoint for the purpose.

Article VI. Adviser to the Bank of Issue.

For a period of three years the Government shall appoint as Adviser to the Bank of Issue such person as may be nominated by the Council of the League of Nations. The powers of the Adviser shall be defined in the Statutes of the Bank, which shall form part of the legislation contemplated under Article V, paragraph (a), above.

Article VII. Final Provisions.

1. Any difference as to the interpretation of this Protocol shall be settled by the Council of the League of Nations.

2. All decisions to be taken by the Council in execution of this Protocol shall be taken by a majority vote.

3. This Protocol, of which the French and English texts are both authentic, shall be ratified by Estonia, and the ratification shall be deposited at the Secretariat of the League of Nations as soon as possible.

In faith whereof the undersigned, duly authorised for the purpose, has signed the present Protocol.

Done at Geneva on the tenth day of December nineteen hundred and twenty-six, in a single copy, which shall be deposited with the Secretariat of the League of Nations and be registered by it without delay.

(Signed) Leo Sepp,
Minister of Finance.
B. RESOLUTIONS ADOPTED BY THE COUNCIL.

I. SETTLEMENT OF GREEK REFUGEES.

Resolution adopted December 9th, 1926.

The Council:
(1) Takes note of the twelfth quarterly report by the Greek Refugee Settlement Commission;
(2) Has learnt with great regret of the resignation as member of the Greek Refugee Settlement Commission of Sir John Campbell, whose presence has, during the past three years, been a most valuable element of permanence and stability on the Commission. The Council desires to endorse the comments of the Financial Committee and to record its appreciation of the ability and indefatigable zeal which he has consistently devoted to this enterprise, of his conspicuous mastery of it in all its aspects and details, and of the valuable help which he has afforded by his comprehensive knowledge of the facts and by the sound judgment which he has brought to bear on them.

Note. — The Council, on December 10th, 1926, appointed Sir John Hope Simpson, C.I.E., as successor to Sir John Campbell.

II. SETTLEMENT OF BULGARIAN REFUGEES.

1. Resolution adopted December 9th, 1926.

A. In conformity with paragraph 4, 1 (a) of the Financial Committee's report dated September 6th and approved by the Council on September 7th, it is understood that new refugee settlements will not be created at less than 50 kilometres from the frontiers of the three neighbour States, apart from the exceptions already authorised in September and those proposed below, and subject to a further decision by the Council as regards the districts of Ortakeui and Svilengrad (paragraph E below).

B. As regards the refugees who are already at less than 50 kilometres from the three frontiers living under material conditions which cannot be considered satisfactory, the Commissioner will endeavour to provide for their settlement, with the help of the loan, elsewhere than in the zone, in so far as he finds this operation possible — that is, in so far as the existence of suitable land permits, and with due regard to the considerations set forth in Chapter I of the Commissioner's supplementary report — in order to reduce their number to a minimum.

C. The exception to the 50-kilometre rule contemplated by the Financial Committee in its report of September 6th for the district of Varna-Prevadia is not considered necessary for the execution of the plan.

D. It is understood that refugees of Roumanian origin may be settled in the zone along the Danube between Lom and Svichtof-Bela, as far south of the river as possible.

The granting of this exception may be expected to facilitate a transfer to this district, where they will find better conditions of settlement, of refugees of Roumanian origin at present in the 50-kilometre zone along the land frontier between Roumania and Bulgaria, living under conditions which cannot be regarded as satisfactory.

E. As regards the districts of Ortakeui and Svilengrad, the question of an exception to the 50-kilometre rule presents aspects which will have to be reported on by the Commissioner at the next session.

Refugees from the neighbouring parts of Thrace are at present in these districts quite close to the frontier, living under material conditions which cannot be regarded as satisfactory; the Commissioner will also study the possibility of settling a number of these refugees in areas away from these districts.

F. As regards the district of Mastanla, owing to the natural obstacles which separate this district from Thrace, it is understood, subject to the following conditions, that an exception may be made to the rule that no relief from the loan can be granted for new settlements in the 50-kilometre zone:

(1) No new settlement will be made at less than 10 kilometres from the frontier;
(2) The refugee families settled in the districts nearest to this limit shall not be of Greek origin. In no case shall refugees of Greek origin be settled at a distance of less than 15 kilometres from the frontier;
(3) The density of settlements must decrease as the above limit of 10 kilometres is approached.

2. Resolution adopted December 9th, 1926.

The Council approves the recommendations of the Financial Committee as regards the Bank of Bulgaria, the supply of periodical information on the factors in the Bulgarian financial situation which affect, or may affect, the execution of the settlement scheme or the securities of the loan;
and takes note of the letter of the Minister of Finance of November 26th, 1926, with regard to the assigned revenues.

Note: (1) The Council, on December 10th, 1926, appointed M. Bianchini, Sir Herbert Lawrence, and M. Marcus Wallenberg as Trustees for the Bulgarian loan.
(2) The Council, on the same date (December 10th, 1926), also approved the total figure for the expenditure on office and staff of the League’s Commissioner for the Settlement of Bulgarian Refugees, for the year December 16th, 1926, to December 15th, 1927.

III. FINANCIAL SITUATION OF THE FREE CITY OF DANZIG.

Resolution adopted December 9th, 1926.

The Council:
Approves the report of the Financial Committee;
Authorises the issue, under the auspices of the League, by the Free City of Danzig of a loan, as contemplated by the Financial Committee, subject to the verification by the Financial Committee of the fulfilment of the measures enumerated in its report;
Expresses the hope that it will be possible to issue the Loan before its next session, and that this loan will assist Danzig in restoring her public finances to a completely sound basis.

IV. BANKING AND CURRENCY SITUATION OF ESTONIA.

Resolution adopted December 10th, 1926.

The Council:
I. Notes and adopts the report of the Financial Committee putting forward a scheme of banking and monetary reform;
II. Approves the form of the Protocol attached thereto to be signed by a representative of the Estonian Government;
III. Recognises the importance of the problem and declares its readiness to associate itself with the scheme.

Note. — The Council also, on December 10th, 1926, appointed M. Albert Janssen as Trustee for the Estonian Loan.

V. COUNTERFEITING CURRENCY.

Resolution adopted December 9th, 1926.

The Council:
Decides to create a small mixed committee to consider the problem of counterfeiting currency and to prepare an international draft convention on the subject; this committee should consist of specialists in international criminal law, prosecution authorities, delegates of the Banks of Issue and one or two representatives of the Financial Committee; and
Decides further to forward to this mixed committee the provisional suggestions of the Financial Committee.

Note: On December 10th, 1926, the Council decided that the Mixed Committee on Counterfeiting Currency should be constituted in the following manner:

(a) Dr. Vilem Pospisil, the present Chairman of the Financial Committee.
(b) Four delegates of Banks of Issue, to be nominated respectively by:
The Bank of France,
The Reichsbank,
The Swiss National Bank,
The National Bank of the Argentine.
(c) Four specialists in international criminal law, to be nominated respectively by the Governments of:
Belgium,
Great Britain,
Italy,
Roumania.
(d) Three prosecution authorities, to be nominated respectively by the Governments of:
Austria,
The Netherlands,
United States of America.