

## APPENDIX V

### TEXT OF THE CHINA CONSORTIUM AGREEMENT, OCTOBER 15, 1920.

An agreement made the fifteenth day of October, 1920, between The Hongkong and Shanghai Banking Corporation, having its offices at 9 Gracechurch Street in the City of London (hereinafter called "the Hongkong Bank") of the first part

The Banque de L'Indo Chine having its office at 15bis Rue Lafitte Paris (hereinafter called "the French Bank") of the second part and

The Yokohama Specie Bank Limited having its office at Yokohama in Japan (hereinafter called "the Japanese Bank") of the third part and

Messrs. J. P. Morgan & Co., Messrs. Kuhn Loeb & Co., The National City Bank of New York, Chase National Bank, New York, The Guaranty Trust Company of New York, Messrs. Lee, Higginson & Co. of Boston and the Continental and Commercial Trust and Savings Bank of Chicago (hereinafter called "the American Managers") acting as to the United Kingdom by Messrs. Morgan, Grenfell & Co., of 22 Old Broad Street in the City of London and as to France by Messrs. Morgan Harjes & Co. of Paris of the fourth part

Whereas the Hongkong Bank the French Bank the Japanese Bank and the American Managers are acting for the purposes of this agreement as the representatives of the British, French, Japanese and American Groups respectively

And Whereas the British, French, Japanese and American Groups were formed with the object of negotiating and carrying out Chinese loan business

And Whereas their respective Governments have undertaken to give their complete support to their respective national groups the parties hereto in all operations undertaken pursuant to the agreement hereinafter contained and have further undertaken that in the event of competition in the obtaining of any specific loan contract the collective support of the diplomatic representatives in Peking of the four Governments will be assured to the parties hereto for the purpose of obtaining such contract.

And Whereas the said national groups are of the opinion that the interests of the Chinese people can in existing circumstances best be served by the cooperative action of the various banking groups representing the investment interests of their respective countries in procuring for the Chinese Government the capital necessary for a programme of economic reconstruction and improved communications

And Whereas with these objects in view the respective national groups are prepared to participate on equal terms in such undertakings as may be calculated to assist China in the establishment of her great public utilities and to these ends to welcome the co-operation of Chinese capital

Now It Is Hereby Agreed by and between the parties hereto as follows:

1. Each Group reserves to itself the right of increasing or reducing the number of its own members but so that any member of a group dropping out shall remain bound by the restrictive provisions hereof and any member of a group coming in shall become subject to the restrictive provisions hereof and so that no group shall (without the consent of the others) be entitled to admit into its group a new member who is not of its nationality and domiciled in its market. The admission of any new group shall be determined by the parties hereto subject to the approval of their respective Governments.

2. This Agreement relates to existing and future loan agreements which involve the issue for subscription by the public of loans to the Chinese Government or to Chinese Government Departments or to Provinces of China or to companies or corporations owned or controlled by or on behalf of the Chinese Government or any Chinese Provincial Government or to any party if the transaction in question is guaranteed by the Chinese Government or Chinese Provincial Government but does not relate to agreements for loans to be floated in China. Existing agreements relating to industrial undertakings upon which it can be shown that substantial progress has been made may be omitted from the scope of this Agreement.

3. The existing Agreements and any future loan agreements to which this Agreement relates and any business arising out of such agreements respectively shall be dealt with by the said groups in accordance with the provisions of this Agreement.

4. This Agreement is made on the principle of complete equality in every respect between the parties hereto and each of the parties hereto shall take an equal share in all operations and sign all

contracts and shall bear an equal share of all charges in connection with any business (except stamp duties and any charges of and in connection with the realization by the parties hereto in their respective markets of their shares in the operations) and the parties hereto shall conclude all contracts with equal rights and obligations as between themselves and each party shall have the same rights, privileges, prerogatives, advantages, responsibilities and obligations of every sort and kind. Accordingly preliminary advances on account of or in connection with business to which this Agreement relates shall be borne by each of the parties hereto in equal shares and each of the parties hereto shall be entitled to participate equally in the existing Agreements and will offer to the other parties hereto an equal participation with itself in any future loan business falling within the scope of this Agreement. Should one or more of the parties hereto decline a participation in the existing Agreements or any of them or in any such future loan business as aforesaid the party or parties accepting a participation therein shall be free to undertake the same but shall issue on its or their markets only.

5. All Contracts shall so far as possible be made so as not to impose joint liability on the parties hereto but each of the parties hereto shall severally liquidate its own engagements or liabilities. The parties hereto will so far as possible come to an understanding with regard to the realization of the operations but so that such realization in whatever manner this may take place shall be for the separate benefit of each of the parties hereto as regards their respective participations therein and so that each of the parties hereto shall be entitled to realize its participation in the operations only in its own market it being understood that the issues in the respective markets are to be made at substantial parity.

6. Any one or more of the parties hereto who shall have accepted its or their participation in any business hereunder shall be entitled by notice in writing to call upon the other or others of the parties hereto who propose to issue their own respective participations to issue for the account of the party or parties giving such notice or notices either all or one-half of the amount which may constitute the participation of the party or parties giving such notice or notices and the party or parties so called upon shall issue the said amount or amounts (hereinafter called "the Residuary Participation") specified in such notice or notices upon and subject to the terms and conditions following, viz:

- (1) Such notice or notices must be received by the other or others of the parties hereto before the execution of the final

- Agreement for the issue of the loan or (in the case of an issue of a part only of the loan) of so much thereof as the parties hereto may from time to time agree to issue.
- (2) The party or parties to whom such notice or notices shall have been given shall be entitled to decide among themselves and without reference to the party or parties giving such notice or notices as to which one or more of them shall issue the Residuary Participation but in default of any such decision they shall issue the same equally between them.
  - (3) In issuing the Residuary Participation no distinction shall be made between the Residuary Participation and the amount or amounts issued on its or their own account by the party or parties issuing the Residuary Participation which shall in all respects be subject to the conditions of the respective Syndicates which may be formed for the purpose of effecting the issue.
  - (4) Each of the parties issuing the Residuary Participation shall be entitled to decide for itself and without reference to the party or parties giving such notice or notices as to what expenses shall be incurred in relation to the issue of the total amount issued by such party.
  - (5) The party or parties issuing the Residuary Participation shall be entitled between them to charge the party or parties giving such notice or notices with a commission of not exceeding  $1\frac{1}{2}$  per cent on the nominal amount of the Residuary Participation and also with a pro rata share of the total expenses which the issuing party or parties may in their sole discretion incur in relation to the whole issue and being in the proportion which the Residuary Participation bears to the total nominal amount of the issue.
  - (6) The party or parties issuing the Residuary Participation shall not by virtue of this Agreement incur any responsibility to subscribe for the Residuary Participation or to cause the same to be subscribed.
  - (7) Each party issuing the Residuary Participation shall apply all subscriptions received by it pro rata between the Residuary Participation issued by it and the amount issued by such party on its own account.
  - (8) Each of the parties issuing the Residuary Participation will apply for and use its best endeavors to obtain a quotation on its market for the total amount issued by it.
  - (9) No issue of the Residuary Participation or any part thereof shall be made by the party or parties giving such notice or notices unless mutually agreed by the parties hereto.

7. No participation shall be given by any one of the parties hereto outside its own market. Any participation given in its own market by any one of the parties hereto shall be for its own account only or in the event of the issue including any of the Residuary Participation for the accounts pro rata of the issuing Bank and the party or parties giving such notice or notices as aforesaid and in giving any such participation the party giving the same shall use its best endeavors to secure that no part of such participation shall be transferred to parties outside the market of the party giving the same. Any other participation shall be given only with the consent of all parties hereto and shall be borne in equal shares by the parties hereto.

8. This Agreement shall remain in force for the period of five years from the date hereof provided nevertheless that a majority of the parties hereto may by twelve months' previous notice in writing addressed to the other parties hereto terminate this Agreement at any time.

In Witness whereof the duly authorized representatives of the respective parties hereto have set their hands the day and year first above written.<sup>1</sup>

<sup>1</sup> Carnegie Endowment for International Peace, "The Consortium," p. 67.