

Confidential.

FINAL COPY 30/1/37.

CASH ADVANCE OF £40,000,000 TO THE FRENCH RAILWAYS GUARANTEED
BY THE FRENCH GOVERNMENT.

It is proposed to open a credit through Messrs. Lazard Brothers & Co.Ltd., Messrs. Morgan, Grenfell & Co.Ltd., and Messrs. N.M.Rothschild & Sons, of £40,000,000 for the French Railways unconditionally guaranteed by the French Government.

The credit will be for three months with the right of renewal at the option of the French Railways for one further period of three months and one last period of four months.

Interest will be payable at the rate of $3\frac{1}{2}\%$ per annum at the end of each period.

The money will be required as follows:-

£8,000,000 on 2nd February, 1937.
£8,000,000 on 5th February, 1937.
£8,000,000 on 12th February, 1937.
£8,000,000 on 19th February, 1937.
£8,000,000 on 26th February, 1937.

The Minister of Finance will write to the Bankers a letter undertaking on behalf of the French Railways to repay the £40,000,000 with interest at the due dates, also defining the terms and arrangements for securing repayment of the credit. A copy of this letter will be sent to each participant and in the meantime a draft is annexed.

H.M.Treasury and the Bank of England have given their consent to the credit. H.M.Treasury has stipulated that no request for renewal shall be made by the French Government at maturity.

London, 30th January, 1937.

DRAFT, 29th January, 1937.

Draft Letter from the French Minister of Finance to London Bankers.

Following our recent conversations I have the honour to confirm my agreement with the opening in favour of the French Railway Systems of a credit of £40,000,000 for three months with the right to the French Railways at their option to prolong this credit for one further period of 3 months and one last period of 4 months.

In case the French Railways desire to exercise their right to prolong the credit you will be advised at least 14 days before each maturity so as to permit you to advise the various participants.

The credit will carry interest at the rate of $3\frac{1}{2}$ per cent per annum payable at the end of each period and until final repayment.

It will be utilised as follows:-

£8,000,000 on 2nd February, 1937.
£8,000,000 on 5th February, 1937.
£8,000,000 on 12th February, 1937.
£8,000,000 on 19th February, 1937.
£8,000,000 on 26th February, 1937.

I confirm to you that on behalf of the French Railways the French Government undertakes unconditionally to repay in sterling the credit at the various dates mentioned together with interest until final repayment.

I wish to advise you that the French Government has made arrangements whereby the Bank of France has undertaken to maintain on the latter's account or in a dossier at the Bank of England so long as any part of the credit remains outstanding free balances in sterling or gold corresponding to the outstanding amount of the credit.

The French Treasury undertakes that it will pay over to the Bank of France sufficient francs to enable them to purchase the sterling necessary for the repayment of the credit at the various due dates and the payment of interest until final repayment.

The Bank of France in its turn has agreed with the French Government that upon receipt of the francs they will purchase the required sterling or if this for any reason is not possible the Bank of France has undertaken to sell to the French Government for this purpose a sufficient amount of the gold or sterling which they have undertaken to maintain at the Bank of England.

The Bank of France has advised the Bank of England of these arrangements, and I enclose copies of the correspondence which records them.

Draft Letter.

29.1.37.

BANK OF FRANCE TO FRENCH GOVERNMENT.

With reference to the arrangement which has just been concluded between the French Railways, the French Government and the London Bankers for a credit of £40,000,000 I confirm that the Bank of France undertakes to maintain on their account or in a dossier at the Bank of England so long as any part of this credit remains outstanding free balances in sterling or gold corresponding to the outstanding amount of the credit.

Furthermore, the Bank of France upon receipt of sufficient francs from the French Government undertakes to purchase an equivalent amount of sterling for the purpose of repayment of the credit at the due dates together with interest until final repayment, or if this for any reason is not possible, the Bank of France will sell to the Government for this purpose a sufficient amount of the gold or sterling mentioned above.

The Bank of France has advised the Bank of England of these arrangements.

29.1.37.

DRAFT LETTER FROM BANK OF FRANCE TO THE BANK OF ENGLAND.

Dear Sirs,

We beg to enclose copies of correspondence between the French Government and ourselves in which we undertake to hold with you certain balances of gold or sterling so long as any part of the credit forming the subject of these letters remains outstanding. We shall be glad if you will take note of these arrangements and act in accordance therewith, and we hereby request and authorise you to hold on our behalf gold or sterling in accordance with our letter to the French Government dated 1937.

Kindly advise the Bankers concerned of the contents of this letter and keep them informed periodically of the amounts thus held by you for our account.

29th January, 1937.

Draft Letter.

BANK OF ENGLAND TO LONDON BANKERS.

At the request of the Bank of France, we beg to advise you that we have received from them a letter, a copy of which, with its annexes, we enclose.

We have replied informing them that we have taken note of the arrangements to which they refer, and we advise you that in order that these arrangements may be fulfilled, we have agreed to hold on behalf of the Bank of France gold or sterling in accordance with their request and authority.