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'Second Memorandum as to Persian Government Loans'

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About this record

This memorandum is a continuation of a previous memorandum dated 17 October 1910 (see IOR/L/PS/18/C120a).

The memorandum summarises a number of major loans made by the British to the Persian Government from 1910-1912: this therefore includes summaries of the following:

- the Persian Government 5% Loan of £1,250,000 (1911);
- the Anglo-Russian Advance of £200,000 (1912) and Anglo-Indian Advances made as a result in August and November 1912;
- the remuneration of the Imperial Bank of Persia for its services in facilitating loans to the Persian Government.

The appendix (folio 56) includes a table of amortisation annuity for the Persian Government Loan of 1910, which consolidated its debts to the Imperial Bank of Persia; it outlines the interest payable by year from 1913-1927. It also includes a copy of the joint note issued to the Government of Persia by British and Russian ministers outlining the terms of the Anglo-Russian Advance (1912).

This memorandum continues in a subsequent memorandum dated 1 September 1913 (see IOR/L/PS/18/C120c).

Secret.

C. 120b.

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Second Memorandum as to Persian Government Loans.

(In continuation of the Memorandum dated the 17th October 1910.)

Scope of the Memorandum.

1. This Memorandum is intended as a short supplement to the printed departmental Memorandum as to Persian Government Loans dated the 17th October 1910. It is not proposed to summarise the lengthy and often inconclusive correspondence that has taken place since that date regarding the indebtedness of the Persian Government, and projects like that of Messrs. Seligman for making them further loans. But when definite results have been attained, a brief description of them is here given, so far as they have a bearing on Indian interests.

The Anglo-Indian Loan of 1903 and 1904.

Memorandum dated 17th October 1910, paragraph 57, and Appendix VIII.

2. The position may first be recalled of the Anglo-Indian Loan of 1903 and 1904 as it stood in October 1910. It had then been included in the general amalgamation scheme of the debts of the Imperial Bank of Persia, and its amount, with arrears, as calculated on the 21st March 1910, was 314,281l. 16s. 4d. For a period of three years, *i.e.*, until the 20th March 1913, interest only, at 5 per cent., was to be paid in respect of it, and thereafter redemption of capital and payment of interest were provided for by 15 equal annual instalments of 30,278l. 12s. 7d., covering the period ending the 20th March 1928.

Remuneration of the Imperial Bank of Persia.

* *Vide* Memorandum, dated the 17th October 1910, paragraphs 14, 21, and 27.

Letter of India Office to Foreign Office, 8th November 1910.

P. 4081/10.

Letter of Foreign Office, to Imperial Bank of Persia, 17th November 1910.

P. 4265/10.

Letter of India Office to Foreign Office, 16th December 1910.

P. 4265/10.

Letter of India Office to Foreign Office, 16th March 1911.

P. 4392/11.

3. A question that came up at the end of 1910, was that of the remuneration of the Imperial Bank of Persia for their services in connection with the loan.* It was decided, after consultation with this Office, that for the three years ending the 20th March 1913, the Bank should retain 1 per cent. interest on the sum of 314,281l. 16s. 4d., and that for the period 21st March 1913—20th March 1928 they should retain, each year, one-fifth of the interest portion of the annuity of 30,278l. 12s. 7d. A Table of Amortisation of the loan, giving the the interest portions of the annuity for each year, was prepared here (Appendix I.), and forwarded to the Foreign Office.

On its being represented subsequently by the Bank that the sum of 314,281l. 16s. 4d. above-mentioned included a sum of 42,261l. 0s. 9d. for capitalised arrears of interest, they were allowed to retain one-fifth of the latter sum, *viz.*, 8,452l. 4s. 2d., during the three years ending the 20th March 1916.

'Second Memorandum as to Persian Government Loans' [54v] (2/6)

2

4. An important transaction that may next be described was the issue in July 1911 by the Imperial Bank of Persia on behalf of the Persian Government of a public 5 per cent. Sterling Loan of 1,250,000L.

The Persian Government specially assigned to this loan, subject only to the existing prior charges in respect of the Anglo-Indian Loan,* the full net Customs receipts of the Persian Gulf, including those of Bushire, Bunder Abbas, Lingah, Moham merah, and Ahwaz, agreeing at the same time that these receipts should be made payable direct to the Bank. In the event of the Customs receipts being insufficient, the deficiency was to be made good "from other sources of Government revenue," and further from the telegraph receipts (subject to a prior charge on those receipts up to 1928 on account of the Anglo-Indian Loan). The loan, which was issued to the public at 96½ per cent.,† was redeemable at par at any time after 1916 after six months' notice, and a cumulative sinking fund of one-half per cent. was to be provided in respect of it commencing in 1916, and extending over a period not exceeding 50 years.

It was stated in the prospectus that "the annual amount required for the service of the loan is for interest and for the prior charges until March 1913 the sum of 78,214L., and from thence until 1916 the sum of 92,779L. Thereafter the annual amount required for interest, amortisation and prior charges is 99,029L. until 1928 (when the prior charges cease), and onwards from that date the sum of 68,750L."

According to the contract with the Persian Government, the Bank were authorised to pay off their own debt out of the proceeds of this loan, and to hold the remainder at the Government's disposal.

The arrangements generally were settled in communication with this Office and the Foreign Office, and a letter from the Foreign Office (Appendix II.), taking cognisance of the arrangements and promising a measure of diplomatic support, was embodied in the prospectus.

5. In February 1912 after Mr. Morgan Shuster had left Tehran, the position of affairs in Persia being extremely critical, a proposal was once more brought forward for a joint Anglo Russian advance to the Persian Government. It was uncertain at first whether its amount would be 400,000L. or 200,000L., and the Secretary of State in Council was prepared to advance from Indian revenues sums of 100,000L. or 50,000L., whichever might be found necessary. Ultimately the amount of the joint advance was fixed at 200,000L., and a cheque for 50,000L., the Indian portion, was sent to the

The Persian Government 5 Per Cent. Loan of 1911 (£1,250,000).

Letter of Imperial Bank of Persia to Foreign Office, 1st June 1911.
P. 3773/10.

* *Viz.*, 15,714L. 1s. 10d. a year till 20th March 1913, and 30,278L. 12s. 7d. a year from 21st March 1913 to 20th March 1928; *vide* Appendix VIII. (2) of the Memorandum dated the 17th October 1910.

Contract dated 8th May 1911.
P. 3773/11.

† It is quoted (16th November 1912) at 90-92 xd.

Prospectus, dated 11th July 1911.
P. 3900a/11.

Anglo-Russian Advance (£200,000).

† *Vide* paragraphs 52, 53, 55 and 56 of the Memorandum, dated the 17th October 1910.

Letter of India Office to Foreign Office, 7th February 1912.
P. 372/12.

'Second Memorandum as to Persian Government Loans' [55r] (3/6)

55

3

P. 472/12.

Parliamentary Paper, "Persia," No. 2 (1912). (Cd. 6103).

* The British Government would have accepted 5 per cent.

Letter of India Office to Foreign Office, 31st May 1912.

P. 1914/12.

Remuneration of the Imperial Bank of Persia.

Letter of India Office to Foreign Office, 20th May 1912.

1535/12.

Anglo-Indian Advance of August 1912 (£25,000).

Letter of India Office to Foreign Office, 29th April 1912.

P. 1553/12.

Letter of India Office to Foreign Office, 14th August 1912.

P. 3156A/12.

Sir W. Townley's Despatch No. 207, 2nd October 1912.

P. 4126/12.

Sir W. Townley's Telegram No. 592, 12th November 1912.

P. 4384/12.

Anglo-Indian Advance of November 1912 (£15,000).

Letter of India Office to Foreign Office, 21st November 1912.

P. 4439/12.

Imperial Bank of Persia on the 10th February last. The conditions of the advance were laid down in a joint British and Russian Note, dated the 18th February 1912 (Appendix III.), and, briefly, were:—interest at 7 per cent.,² repayment to be out of the first proceeds of a forthcoming Persian Government loan, and "until then the surpluses of "the northern and southern customs' revenues . . . "will be wholly and respectively assigned to the "amortisation of, and to the payment of interest "on, the Russian and British portions of the "present advance." The conditions were accepted by the Persian Government in a Note dated the 20th March 1912.

Later, it was agreed that until the 28th March 1913 interest only should be paid on the advance, without provision for the redemption of capital.

6. As regards the Imperial Bank of Persia, it was settled that they should retain as their remuneration one-seventh of the 7 per cent. interest, *i.e.*, 1 per cent. per annum on the loan as before (paragraph 3).

7. As already explained, 50,000*l.* instead of 100,000*l.* was advanced out of Indian revenues in February. In a letter dated the 29th April the Secretary of State for India in Council expressed his readiness to advance on the same conditions as before a further sum of 25,000*l.* For the moment no action was taken under this authority, but in the following August, in view of the situation created by the defeat of a force of Persian gendarmerie under Swedish officers, the Secretary of State for Foreign Affairs caused a sum of 25,000*l.* to be placed by the Imperial Bank of Persia to the credit of His Majesty's Minister at Tehran and applied for the refund of a moiety (12,500*l.*) from this Office. This was sanctioned, the amount being paid to the Bank of England, on account of the Foreign Office, on the 24th August. The conditions as regards interest and repayment were the same as in the case of the previous Anglo-Indian advance of 100,000*l.*

It may be explained that of the 25,000*l.* received by His Majesty's Minister, 10,000*l.* were advanced to the Persian Government soon after its receipt by him, and that he instructed the Bank at Tehran on the 24th October last to pay the remainder into the account of the Persian Treasurer-General, making it clear that the money was to be used for the gendarmerie in Southern Persia.

8. In compliance with a request from the Foreign Office for a further Anglo-Indian advance to the Persian Government of 15,000*l.*, for the use of the Governor-General at Shiraz, the Secretary of State in Council, in a letter dated the 21st November 1912, consented to provide the Indian moiety (7,500*l.*), the advance to be in all respects on the same footing as the previous Anglo-Indian advance of 25,000*l.*

'Second Memorandum as to Persian Government Loans' [55v] (4/6)

4

The Accountant-General of this Office paid the sum of 7,500*l.* to the Imperial Bank of Persia to the credit of His Majesty's Legation at Tehran on the 27th November 1912.

The unexhausted balance of the sum of 100,000*l.*, which the Secretary of State in Council expressed himself in February last (*see* paragraph 5 above) as ready to advance to the Persian Government from Indian revenues is now 30,000*l.*, (*i.e.*, 100,000*l.*, less 50,000*l.* + 12,500*l.* + 7,500*l.*)

9. Thus the debts of the Persian Government to His Majesty's Government are to-day (27th November 1912)* as follows:—

	£	s.	d.
(1) Anglo-Indian Loan of 1903 and 1904 (5 per cent.)	314,281	16	4
(2) Anglo-Indian Advance of February 1912 (7 per cent.)	100,000	0	0
(3) Anglo-Indian Advance of August 1912 (7 per cent.)	25,000	0	0
(4) Anglo-Indian Advance of November 1912 (7 per cent.)	15,000	0	0
Total	£454,281	16	4

Interest only on these sums has at present to be paid, but, unless the arrangements agreed on are modified, redemption of capital should begin in the case of (1) from the 21st March 1913, and in the case of (2), (3) and (4) from the 29th March 1913. If a large loan be issued hereafter for the Persian Government, the advances of February, August and November should be repaid out of the proceeds. There have been various projects for such a loan, and M. Sazonoff discussed it on his recent visits to London and Paris: the proposal that is now under consideration is that it should be arranged by the Société d'Etudes of the Trans-Persian Railway, if the financial position in Persia should be found to justify it.

Another proposal also has recently been mooted for arranging a loan of smaller amount under British and Russian auspices.

10. In conclusion it may be noted as a point of detail that a proposal has recently been approved after consultation with this Office to arrange for the simultaneous payment each month of the sums due from the Persian Government in respect of the Anglo-Indian Loan of 1903 and 1904, the public 5 per cent. Loan of 1911, and the recent advances made by His Majesty's Government.

Political Department,
India Office,
27th November 1912.

J. E. F.

Pol. 4552/12.

Total debt of the Persian Government to His Majesty's Government. (£454,282.)

* The advance of November being treated as already in the hands of the Persian Government.

Sir E. Gréy's Telegram to Sir G. Buchanan, No. 1221, 13th November 1912. P. 4375/12.

Simultaneous monthly payments in respect of various Loans.

Sir E. Grey's Despatch to Sir W. Townley, No. 207, 25th October 1912. P. 4181/12.

APPENDIX I.

(Referred to in paragraph 3.)

PERSIAN LOAN.

Table of Amortisation.

Annuity of 30,278*l.* 12*s.* 7*d.*

Year commencing 21st March.	Principal outstanding at beginning of Year.	Principal redeemed by payment for the Year.	Interest for Year.
	£ s. d.	£ s. d.	£ s. d.
1913 - - -	314,281 16 4	14,564 10 9	15,714 1 10
1914 - - -	299,717 5 7	15,292 15 4	14,985 17 3
1915 - - -	284,424 10 3	16,057 8 1	14,221 4 6
1916 - - -	268,367 2 2	16,860 5 6	13,418 7 1
1917 - - -	251,506 16 8	17,703 5 9	12,575 6 10
1918 - - -	233,803 10 11	18,588 9 0	11,690 3 7
1919 - - -	215,215 1 11	19,517 17 6	10,760 15 1
1920 - - -	195,697 4 5	20,493 15 4	9,784 17 3
1921 - - -	175,203 9 1	21,518 9 1	8,760 3 6
1922 - - -	153,685 0 0	22,594 7 7	7,684 5 0
1923 - - -	131,090 12 5	23,724 2 0	6,554 10 7
1924 - - -	107,366 10 5	24,910 6 1	5,368 6 6
1925 - - -	82,456 4 4	26,155 16 4	4,122 16 3
1926 - - -	56,300 8 0	27,463 12 2	2,815 0 5
1927 - - -	28,836 15 10	28,836 15 10	1,441 16 9
		314,281 16 4	

India Office,
7th December 1910.

APPENDIX II.

(Referred to in paragraph 4.)

Foreign Office to Imperial Bank of Persia.

Foreign Office,
3rd June, 1911.

Sir,

I am directed by Secretary Sir E. Grey to acknowledge the receipt of your letter of the 1st instant, enclosing copy of a contract entered into between the Persian Government and the Imperial Bank of Persia for the issue of a loan of 1,250,000*l.*, bearing 5 per cent. interest, and redeemable at par by the means of a cumulative sinking fund of $\frac{1}{2}$ per cent., commencing in 1916 and extending over a fixed period not exceeding fifty years.

I am to state that His Majesty's Government have taken cognisance of the arrangements contained in the contract, and have given directions that, in case of necessity, the Imperial Bank of Persia will receive from His Majesty's Legation at Tehran such diplomatic support as can properly be given to assist them in the discharge of their duties as specified in the contract, and that the charge on the customs revenues specially assigned to the loan has been noted by His Majesty's Government.

It must be clearly understood that His Majesty's Government do not undertake any pecuniary liability.

I am, &c.,
F. A. CAMPBELL.

APPENDIX III.

(Referred to in paragraph 5.)

Joint Note addressed to the Persian Government by the British and Russian Ministers at Tehran on 18th February 1912.

(Translation.)

Animated by the desire to place upon a solid basis of friendship and confidence the relations between the Government of His Britannic Majesty, the Imperial Government of Russia, and the Imperial Government of Persia, and desirous of assisting the Persian Government as far as possible in their task of re-establishing and maintaining order and tranquillity in the country, the Russian and British Legations have the honour, by instruction of their Governments, to make to the Persian Government the following proposals:—

1. The two Governments are prepared, in order to meet urgent expenditure, to advance to the Persian Government a sum of 100,000*l.* each. The Imperial Bank and the Banque d'Escompte will each open an account for this sum as soon as the two legations have received a favourable reply to the present note, and it is understood that the sum paid into the account by the Banque d'Escompte will be placed at the disposal of the Persian Government in roubles, amounting to the sum of 945,750 roubles.

2. The above-mentioned sums will be lent at a rate of interest of 7 per cent. per annum, and will be repayable out of the first proceeds of the forthcoming loan of the Persian Government, and until then the surpluses of the northern and southern customs revenues, which have hitherto been placed by the two Banks at the disposal of the Persian Government, will be wholly and respectively assigned to the amortisation of and to the payment of interest on the Russian and British portions of the present advance.

3. The advance will be expended under the control of the Treasurer-General, in accordance with a programme prepared by him in agreement with the Cabinet and approved by the two legations. It is understood that a considerable part will be assigned to the organisation of the Government gendarmerie with the assistance of the Swedish officers. In making this proposal, and in order to attain the ends indicated at the beginning of this note, the two legations hope that the Persian Government will undertake (1) to conform their policy henceforth with the principles of the Anglo-Russian Convention of 1907; (2) as soon as Mohamed Ali Shah and Salar-ed-Dowleh have left Persia, to dismiss the fedais and irregular forces now in the Persian service; (3) to discuss with the two legations a scheme for the organisation of a small regular and effective army; (4) to come to an agreement with Mohamed Ali Shah on the subject of his departure from Persia, of his pension, and of a general amnesty to his followers.

Hoping to receive a favourable reply, we avail, &c.

G. BARCLAY.
POKLEWSKY-KOZIELL.