

FOREIGN CLAIMS SETTLEMENT COMMISSION
OF THE UNITED STATES
WASHINGTON 25, D. C.

IN THE MATTER OF THE CLAIM OF

CONTINENTAL ILLINOIS NATIONAL BANK
and TRUST COMPANY OF CHICAGO
231 South LaSalle Street
Chicago 90, Illinois

Claim No. HUNG-20,216

Decision No. HUNG-1758

Against the Government of Hungary

Under the International Claims Settlement
Act of 1949, as amended

GPO 16-72126-1
Counsel for Claimant:

Mayer, Friedlich, Spiess, Tiernay, Brown & Platt
231 South LaSalle Street
Chicago 4, Illinois

FINAL DECISION

The Commission issued its Proposed Decision on this claim on January 12, 1959, a copy of which was duly served upon the claimant~~(X)~~. No objections or request for a hearing having been filed within twenty days after such service and general notice of the Proposed Decision having been given by posting for thirty days, it is

ORDERED that such Proposed Decision be and the same is hereby entered as the Final Decision on the claim, and it is further

ORDERED that the award granted therein be certified to the Secretary of the Treasury. *Whit 91.00.00 and*

Dated at Washington, D. C.

MAR 2 1959

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Robert L. Kunzig
COMMISSIONERS

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PROPOSED DECISION

This is a claim for \$2,335,758.41, plus interest, against the Government of Hungary under Section 303 of the International Claims Settlement Act of 1949, as amended, based upon the failure of that Government to fulfill its contractual obligations under certain Treasury Bills, and under its guarantee of the so-called Union and Futura credit agreements.

The Commission finds that the claimant, a national of the United States as defined in the Act, is the holder of 34 Treasury Bills issued by the Government of Hungary, bearing numbers K-7 through K-40, which were received by claimant for its participation in a syndicate credit to the Government of Hungary managed by Speyer and Company of New York City. Under the terms of each of these Bills, the Government of Hungary, for value received, promised to pay to the bearer \$27,309.89 on August 14, 1933. By subsequent agreements, the maturity date was extended to August 14, 1935, August 14, 1936 and August 14, 1937. By agreement dated July 20, 1937, the maturity date was extended to August 14, 1940, with interest payable semi-annually at the rate of 1-1/2% per annum. By prolongation of the terms of that agreement, the

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maturity date was extended to November 14, 1940.

Apparently there was no further extension agreement, and no payment of the principal indebtedness was made on November 14, 1940, although all installments of interest due through that date were paid, and a further payment of interest at 1-1/2% per annum was made for the three-month period ending February 14, 1941. One further payment was received on October 27, 1942 from J. Henry Schroder Banking Corporation, which had replaced Speyer and Company as the service bankers in 1939, and which, under United States Treasury license, distributed to United States holders of the Treasury Bills \$51,704.40 from certain previously impounded funds. These funds were used first to pay interest at 1-1/2% per annum from February 15, 1941 through April 14, 1942, and the balance was designated as a principal payment, reducing the face amount of each claimant's Bills to \$26,896.36, except for the Bill numbered K-40, which was reduced to \$26,896.28.

Section 303(3) of the Act authorizes the Commission to receive and determine, among other claims, those based upon the failure of the Government of Hungary to--

meet obligations expressed in currency of the United States arising out of contractual or other rights acquired by nationals of the United States prior to . . . September 1, 1939, in the case of Hungary . . . , and which became payable prior to September 15, 1947.

Although the unpaid principal indebtedness on claimant's Treasury Bills on November 14, 1940 was \$928,536.26, a payment of \$14,060.10 was applied to principal on October 27, 1942, and no claim is made for that amount, since it cannot now be said that the Government of Hungary has failed to meet that portion of its obligation. The loss of use of the \$14,060.10 during the period of nearly two years between the due date and the date of payment does not give rise to a claim under Section 303(3) of the Act for interest for that period, inasmuch as there was no express contractual obligation for the payment of interest after November 14, 1940.

The Commission finds that the Government of Hungary has failed to meet its obligation with respect to claimant's Treasury Bills to make

payment in the amount of \$914,476.16. The Commission concludes that claimant is entitled to an award in that amount under Section 303(3) of the Act. Claimant is also entitled to interest on that amount at the rate of 6% per annum from November 14, 1940, the date of default, to August 9, 1955, the effective date of the Act. Interest at the rate of 1-1/2% per annum having been paid for the period from November 14, 1940 to April 14, 1942, this award shall include interest computed at the rate of 4-1/2% per annum for that period, and at 6% per annum thereafter.

The Commission finds further that claimant was a participant in an \$8,000,000 credit extended to Union of Hungarian Mutual Credit Associations ("Union") and Hungarian Cooperative Societies Trading Company Limited ("Futura"), for the purpose of financing the export of agricultural products from Hungary. The terms of the credit were set forth in an agreement of September 30, 1930 between the Hungarian organizations and Lee Higginson and Company of Boston, Massachusetts, acting as syndicate manager on its own behalf and on behalf of other participants. In a separate agreement of the same date, repayment of principal and interest was guaranteed by the Hungarian Government. When payment of the principal indebtedness was not made on the due date, October 31, 1931, an agreement for overdraft credit was made between the same parties, and renewed from time to time until October 15, 1941, each agreement being assented to and guaranteed by the Government of Hungary. Payments of interest were made through October 15, 1941. In the absence of further extension, payment of the remaining principal indebtedness was due on that date, but has not been made. Claimant's remaining interest in the outstanding principal indebtedness was then, and is now, \$36,032.60. The Commission finds that the Government of Hungary failed to meet its contractual obligation to make payment of that amount, and concludes that claimant is entitled under Section 303(3) of the Act to an award in that amount plus interest at the rate of 6% per annum from October 15, 1941 to August 9, 1955.

A W A R D

Pursuant to the provisions of the International Claims Settlement Act of 1949, as amended, an award is hereby made to CONTINENTAL ILLINOIS NATIONAL BANK AND TRUST COMPANY OF CHICAGO in the amount of Nine Hundred Fifty Thousand Five Hundred Eight Dollars and Seventy-Six Cents (\$950,508.76), plus interest in the amount of Eight Hundred Eighteen Thousand Nine Hundred Ninety-Three Dollars and Eighty-Five Cents (\$818,993.85).

Payment of any part of this award shall not be construed to have divested claimant herein, or the Government of the United States on its behalf, of any rights against the Government of Hungary for the unpaid balance of the claim, if any.

Dated at Washington, D. C.

JAN 12 1959

FOR THE COMMISSION:

Donald G. Benn

Donald G. Benn, Director
Balkan Claims Division

Handwritten initials and signature:
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