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,,Revaluation of state bonds in the 20th century"

„Case Study"

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Abstract

In my Thesis I review the state defaults of several European countries, that took place in the early 20th century. In doing so, I examine the measures introduced by States in order to deal with crises that arose and how they affected public debt and creditors. I pay attention to the incentives that drove debtors and creditors, and I also try to show the implications that could be drawn. Furthermore, I consider important to present the circumstances of the measures taken and their relationship to each other. In the second half of my dissertation, I analyze one particular Hungarian state bond from several perspectives as part of a case study. In addition to an overview from the perspective of economic history, legal aspects of the bond are also included in this fundamentally dual approach of investigation. In my Thesis, I examine, if there is a possibility for bondholders to reconcile adverse consequences of 20th century state defaults in particular concerning bond series targeted.

Zusammenfassung

In meiner Diplomarbeit betrachte ich die Staatspleiten einiger europäischer Länder, die im 20. Jahrhundert stattfanden. Dabei untersuche ich die von den Staaten ergriffenen Maßnahmen zur Bewältigung von Krisen und wie sie sich auf die Staatsverschuldung und die Gläubiger ausgewirkt haben. Ich achte auf die Anreize, die Schuldner und Gläubiger angetrieben haben, und ich versuche auch, die Konsequenz aufzuzeigen, die gezogen werden konnte. Darüber hinaus hielt ich es für wichtig, die Umstände der getroffenen Maßnahmen und deren Verhältnis zueinander darzustellen. In der zweiten Hälfte meiner Dissertation untersuche ich im Rahmen einer Fallstudie eine bestimmte ungarische Staatsanleihe aus mehreren Perspektiven. Neben einem wirtschaftshistorischen Überblick werden auch rechtliche Aspekte der Anleihe in diesen grundsätzlich dualen Untersuchungsansatz einbezogen. n meiner Diplomarbeit untersuche ich, ob es für Anleihegläubiger eine Möglichkeit gibt, die nachteiligen Folgen von Staatsausfällen im 20. Jahrhundert, insbesondere in Bezug auf Anleiheserien, auszugleichen.

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I.0. Introduction

Implications of sovereign debt issued by a State have always grabbed the mind of economists and to some extent that of the lawyers. In the 19th and 20th centuries, sovereign debt was a particularly common source of finance with the purpose of borrowing from the public and fund budgetary items such as infrastructure development, services or even war expenditure. State debt can take up many forms, for instance government bonds. These bonds embody a contractual obligation to provide interest and in most cases principal payments to bondholders, which are basically financed by domestic tax revenues. However, as we have seen many times before, governments may run into financial problems due to numerous reasons resulting in a default. These defaults are often preceeded by some kind of crisis. The causes are wide-ranging and could be internal or even external alike. (see Sturzenegger and Zettelmeyer 2006; Bruendel 2015)

History of state defaults being as old as sovereign debt itself provides us a broad overview about the evergreen issues, consequences and incentives arising when a State defaults on its debt. In fact, what are these aspects that tie up the raised attention? In case of a state default the government fails or stictly refuses to honor its debt that brings about various consequences. The costs of default might appear through several channels and in the light of the given circumstances the magnitude and length of detrimental effects may differ. The vast majority of authors agree that the first tangible effect that the State suffers in the event of default is the drop in GDP per capita, on the extent of which there is no consensus. In general it is found that the level of annual output cost varies between 1.4% and 10.5%, depending on the measurement methodology, however GDP reduction is persistent albeit not permanent. In contrary, Eduardo Levy-Yeyati and Ugo Panizza (2011, 95-105) found, that GDP drop in case of a default is not statistically significant. Downturn in GDP is primarily embodied in the decrease of investment and gross trade, however change in the volume of consumption is not clearly defined. Among the components of gross national output, investment declines the most during state default. It is also found that default on sovereigns often triggers banking crisis amplifying the costs. In order to understand the linkage between the magnitude of default costs and the banking channel, it is necessary to point out that banks' portfolios usually include government bonds. In case of a default on sovereigns, banks may experience massive reduction concerning their asset side via write-offs or lower valuation of sovereigns thus weakening domestic banking system. Furthermore, defaults might hold in their lending activity starting a domino effect due to the strong interdependence of banks on each other, which may lead to a bank run and financial autarky. Since firms are reliant on banks in obtaining funds for development, a decline in lending activity may bring about reduction of investments and drop of stock prices. (see Borensztein and Panizza 2008; Kuvshinov and Zimmermann 2019)

A default and banking crisis can easily be accompanied by a currency crisis, when the confidence in the currency of the defaulting State collapses. The consequences can be captured in the fact that the given currency is subject to devaluation. This is particularly dangerous if, on one hand, a considerable part of the public debt is denominated in various foreign currencies and, on the other hand, if the banks' portfolios contain a large number of securities that call for foreign currencies. In contrary, the situation is completely different if the public debt is mainly denominated in domestic currency, since in this case the State can devalue its own debt. (see Borensztein and Panizza 2008; Kuvshinov and Zimmermann 2019)

In addition to this, as a result of a default, trade balance collapses due to a decline in imports. Moreover, countries try to increase exports in order to eliminate external dependence, however a negative impact of default could also affect volume of exports via trade sanctions further reducing GDP. Also, trade and exchange rates are highly correlated meaning that suppose the currency of defaulting State is devaluated, cost of imported goods might rise as a result of a detrimental change in exchange rates. (Borensztein and Panizza 2008)

Another important channel is the reputation through which a default can be harmful to the country later on. Although if a default occurs, the government faces an immediate reduction in debt obligations resulting in a plenty of rope concerning its budget, a repudiation or inability to pay might reduce creditworthiness and reputation. The deterioration of the international reputation of the given State raises many problems. Above all, it is worth mentioning that defaulting States experience temporary exclusion from financial markets in the future, however such restriction is considered to be short-lived. In addition to this, the worse the credit record and lower the recovery rate on defaulted public debt, a longer exclusion period is predicted. Furthermore, a higher haircut and loss suffered by creditors also imply longer restriction of market access. On the other hand, we must distinguish between inability and unwillingness to pay. While the latter category is strictly punished by the market, temporary financial disturbance accompanied by a restructuring being more beneficial for creditors have significantly milder consequences for the defaulting country. Another aspect of state default is to be found in the future borrowing conditions, however, there is disagreement between the authors in this regard. Some argue that default and restructuring have minimal effects on future loan terms, while others assert that higher haircuts trigger higher subsequent bond yield spreads and longer period of market exclusion. When it comes to bondholders, they loose the invested principal and interests lended to the government and owed on the bond either partly or even fully.(see Sturzenegger and Zettelmeyer 2006; Cruces and Trebesch 2013; Borensztein and Panizza 2008)

At this point it is important to nail down, that in the 19th and the first half of the 20th century principle of *absolute sovereign immunity* was a prevailing concept describing the relationship of a State and private individuals/companies. The essence of the doctrine is, that private individuals and companies are not able to enforce the State’s contractual obligation, i.e. suppose a default occurs, a bondholder is not in the position of demanding compensation or further interest payment using judicial way. (Sturzenegger and Zettelmeyer 2006) In order to raise bargaining power, creditors usually form groups and negotiate via committees incentivized to reduce losses. If a government runs into default, it has many options to choose from depending on the current circumstances and incentives. In the eye of absolute sovereign immunity, an obvious choice is to simply repudiate sovereign debt bearing the abovementioned consequences. On the other hand, if governmental illiquidity is presumed to be temporary and there is a willingness (or a commitment prescribed by an international treaty) to honor debt further, a restructuring, transitive suspension of payment, or partial cancellation takes place. As regards restructuring, the most common measures introduced are modification of terms and conditions in a way, that interest rates are somehow reduced and/or duration is extended. Partial cancellation means, that bondholders agree to accept fractional repayment of their princial. (Sturzenegger and Zettelmeyer 2006) Depending on the viewpoint, a win-win situation may be achieved by the parties involved. Suppose a partical cancellation or interest rate reduction is introduced entailing devaluation of governmental bonds, the State could purchase the bonds affected back on a considerably low price and at the same time bondholder claims are not refused completely.

From bondholder perspective, the 20th century was exceedingly eventful and hectic. Treaty of Versailles closing WW1 redrew the map of Europe and triggered many detrimental economic consequences. As a result of the Peace Treaty, Austria-Hungary was sliced up into small separated entities in 1919 called as the Successor States. Without even taking a relived breath, the Great Depression knocked on the door pushing many countries into critical economic circumstances, that were still struggling with side-effects of the first world war anyway. Furthermore, it did not take so long for WW2 to leave Europe in ruins. These historical events strongly influenced bond revaluation bringing about –among more- collapse of commodity prices followed by a banking crisis, hyperinflation, changes of regimes and currencies, let alone defaults. Bond prices were affected in a volatile way triggering fluctuations concerning revaluation and payments. From a 70-100 years perspective, fate of those sovereign debtholders seems to be only history or rather an instructive example for investors. It is easy to forget, that holders of state debt in the early 20th century were from one hand companies and endowments, on the other hand private individuals composed of flesh and blood with full of investment ambitions and economic expectations. A question arises now, namely: is there a possibility for bondholders to reconcile adverse consequences of 20th century state defaults?

In my thesis, after an overview of German and Austro-Hungarian defaults and their corresponding implications, I am going to analyze the question further by displaying how the Successor States of Austria-Hungary treated sovereign debt and bondholders. For the sake of the idea, example of Habsburg Successor States tends to be singular and challenging due to numerous reasons. First of all, Treaty of Versailles raised a framed situation that was more beneficial for bondholders compared to a preceeding state default under the governance of absolute sovereign immunity. Provisions strictly excluded discretional rights concerning certain kinds of government bonds obliging Successor States to honor the proportionately distributed Austro-Hungarian sovereign debt. Moreover, equal treatment and invariable terms were granted for bondholders irrespective of nationality. Another remarkable improvement was placed into the Peace Treaties, which secured value preservation at a desirable pre-war level concerning some securities. On the other hand, Habsburg Successor States introduced new national currencies, which made the isssue much more complicated. The dissimilarity in currency values correlated to each other immediately evolved, that brought about differences in revaluation of state bonds right after WW1. Although the divided securities had the same terms and conditions in all of the Successor States, debt service, bondholder treatment and revaluation varied immensely across these countries. Debtholders pooled into committees in order to attain preferable outcome via bargaining with the new entities. As a result of negotiations that took place in the 1920s, a series of international conventions were concluded providing a uniform debt restructuring applied for all of the countries and bondholders involved. On the other hand, Kingdom of Hungary opted out of entering into the last ones following a divergent route, which was strongly influenced by prevalent phenomena of hostility towards foreigners.

In the second part of my thesis, I would like to present the complete history of a government bond issued by the Kingdom of Hungary within the burden of Austria-Hungary, which contributes to existing literature on the field of economic history. However, after conducting an extensive research, based on the results I found, that defaults on this bond were eventually not resolved. Moreover, the Hungarian way of dealing with bondholders in the 20th century left open questions and debatable situations that remained unanswered and unsolved until today. I am going to argue, that there are grounds for owners of this particular bond to reconcile detrimental effetcs of previous Hungarian default now. I am going to show, that legal aspects of the aforementioned bond exceeds existing literature providing a unique or rather divergent answer compared to current considerations, which helps us to illuminate my research question. As we will see, conclusions are far-reaching that may give rise for further researches in the topic of historical sovereign bonds affecting recent and prevailing thinking.

II.0. Overview of state defaults

II.1. Example of Germany

Last decades of the 19th century has seen a lending boom manifested in sovereign bond issuances, all of which government bonds constituted the major part. Due to the fact, that the Central Powers were excluded from international financial markets, Germany relied on domestic purchasing power and primarily financed its war expenditure by issuing war bonds.[1] Nine series of these securities were directly sold to the public producing 97 billion marks for Germany. Motives for war bond subscription were notably influenced by governmental and social pressure materialized in patriotic propagation and expectations on victory. (see Bruendel 2015; Träg 2019)

In 1919 Treaty of Versailles closed the first world war bringing fundamental economic, political and moral changes in countries that made up the Central Powers. A considerable amount of compensation commitment was imposed on Germany, who had to face with territorial losses as well.[2] (Finch 1922) Furthermore, it did not take too long for change of regime leading to the establishment of Weimar Republic. At that time, a significant matter of pre-war and war bonds suddenly arose, that were circulating in hands with their mass. Creditors of Germany apprehensively waited for official declarations from the newly born Republic about what will be the fate of their bonds. Fear of bondholders was by fact not irrational, because Germany followed the classical inflanatory policy. (Träg 2019)

Between 1914-1918 Germany increased the money supply by 400% boosting inflation. Moreover, the German Central Bank (Reichsbank) reduced the fraction of one third gold backing, which was originally intended to protect value of the German mark

[1] War bonds=Kriegsanleihen

[2] Treaty of Peace between the Allied and Associated Powers and Germany, signed in 28. June 1919, Versailles (hereinafter referred to as: Peace Treaty of Versailles), Article 232.

and replaced it mostly by paper money. The lack of reasonable and fundamental monetary intervention generated devaluation of the German currency and purchasing power gradually decreased. On the other hand, value of government debt was being reduced by rising inflation. From 1919 onwards, Germany had to deal with hyperinflation that made public debt unmanageable. The seemingly incontrollable running of inflation was beaten by a currency reform in 1923, which was considered to be a state default. As a result of this movement, 1 trillion mark was converted into 1 new rentenmark devaluating the preceeding German currency as well as financial assets that were denominated in German mark. In addition to this, Loan Dissolution Act proclaimed in 1925 eventually set out the issue of sovereign debt devaluating the entire amout at once, which affected money claims and debt securities alike. Value of government bonds was reduced to 2.5% of the original one, however covered bonds and government bonds securing a right to draw were revalued on a 12.5% level compared to their initial worth. (Träg 2019)

To sum up the incentives and consequences of the German default that occured just after WW1 briefly, it demonstrates a clear devaluative strategy, where the State was financed by the combination of unbacked extensive money supply along with loans.[3] Additionally, Germany obviously benefited from high inflation beyond control depreciating pre-war and war bonds that were the major components of sovereign debt. (Träg 2019)

By relieving the budget considerably, Germany overcame one of the most pressing issue, however there were other serious problems to deal with. In accordance with the Peace Treaty, Germany had to honor reparation payment obligations towards the UK and France. Germany dearly needed capital, which was hard to obtain from domestic soil. So as to be able to acquire the funds necessary, several type of bonds were issued between 1924-1930 generating substantial revenue. For instance, Reich reparation bonds were released by the government denominated in various foreign currencies, called the Dawes and Young Bonds. Other than that, some bonds served different purposes satisfying the needs of German private sector, such as industries and

[3] Investigation of the question, whether government and central bank policy was intentional or unmeant is beyond my thesis.

agricultural enterprises issued by States of the Reich and public agencies. (see Träg 2019, Buxbaum 2016)

Within the framework of the Dawes Plan, bonds were issued denominated in US dollar, pound sterling, Swedish crown, lire and Swiss francs in 1924 with an expiry of 25 years. These securities were partly marketed to german citizens, however most of the instruments were subscribed in the UK, USA, France, Switzerland, Belgium, the Netherlands, Sweeden and Italy offering 7% of interests. Moreover, the total nominal value of Dawes bonds issued amounted to 190,4 million gold dollars. The Young Plan, implemented from 1930, continued the privatization of German debt and, together with the Dawes Plan, greatly contributed to Germany's economic recovery. In addition to this, the former reduced German reparation charges and also involved the issuance of new bonds with a nominal value of 302 million gold dollars. The Young securities provided an interest rate of 5.5% and were issued in several currencies, particularly in US dollars, French francs, pound sterling, Swiss francs, florins, belgas, lire and Swedisch crowns maturing in 35 years. Unlike Dawes bonds, where only the American issue contained a security clause, all issues of these securities were protected by a gold clause. (see Clement 2004; Accominotti and Kessler and Oosterlinck 2017)

Despite the fact, that Weimar Republic urgently needed financial aid for recovery, volume of bond issues soon exceeded a level that would have been sustainable. The original motive of Dawes Plan and the mass issuance of reparation bonds was to stimulate German economy contributing to world economic development. On the other hand, higher and higher demanded yields for new series risked financial capacity maintained for reparation payments, which eventually led to a new unstable situation. After a stock market crash in 1929 premonitory signs of the Great Depression arrived shortly in Europe influencing among more the German economy. First of all, investors from the USA withdrew capital from German markets. Moreover, Weimar Republic conducted renegotiations with the Allies aiming to temporarily reduce the amount of reparation payments avoiding another default. Furthermore, a moratorium on service of certain parts of sovereign debt was introduced in 1933. (see Träg 2019; Buxbaum 2016)

Germany made an effort to lower repayment obligations concerning reparation bonds and other debt instruments by repurchasing these securities worldwide on a depressed price in secondary markets. Moreover, relying on the lack of foreign exchange reserves and partial suspension of debt service temporarily took a big burden off the shoulders of the Germans. In 1933 Germany issued additional sovereign debt instruments in replacement of earlier ones from the 1920s. Some type of bonds bought back in this way were converted into Reichsmark denominations, while other debt securities issued during the Weimar regime were replaced by bonds denominated in reichsmark or foreign currencies. (Buxbaum 2016) Although the introduced measures seemingly exerted their effects evenly, some track of unequal treatment could be detected in relation of certain kind of bonds and based on nationality alike. Due to the Standstill Agreement and complete transfer moratorium announced, service of short-term debt was suspended, however medium and long run securities were initially not affected such as Dawes and Young bonds. The exception and differentiation with creditors in relation to the Dawes and Young securities was basically manifested in clearing agreements. Germany entered into such separate agreements with each underwriting country on the service of these bonds, so their fate followed separate paths based on the nationality of the owners. Before the German conversion, trade-related sanctions were envisaged by Great-Britain for those countries, that default on British creditors. There are reasonable grounds to believe, that such an announcement pressed Germany to eventually honor Dawes and Young Plan bonds held by the British, while interest payments were reduced in relation of bondholders from the USA. Until the outbreak of WW2, the service of Dawes and Young bonds went on without considerable disturbance, albeit with reduced interest rates, but after 1939 the payments were gradually suspended, which also affected the neutral States. (see Sturzenegger and Zettelmeyer 2006; Clement 2004)

In summary, the Great Depression as an external blow resulted in a financial crisis, that contributed to the German default in 1932. Compared to the previous crash, Germany chose temporary suspension of debt service combined with a comprehensive conversion and interest rate reduction instead of letting inflation to do its job. (see Buxbaum 2016; Sturzenegger and Zettelmeyer 2006) From bondholder perspective, the recent default that took place in 1932 was unambigously more beneficial. Loss of value was not grave that much in particular concerning Dawes and Young securities and Treaty of Versailles provisions still tied up hands of the State preventing repudiation. In the 1930s, Germany came to a crossroads and instead of refusing debt service fully, which would have risked complete financial isolation, payment obligations were partially met. In essence, default grew into an openly undertaken policy under the new German regime, which steered the country towards financial autarky. Suspension of debt service and partial default on medium and long-term debt brought immediate financial relief for Germany, but the costs seemed to be significant in the long run with the exclusion from international capital markets. (Clement 2004)

The end of the second world war brought another state default for Germany. In addition to this, Paris Peace Treaty again imposed reparation commitment on the country, which was separated into Federal Republic of Germany and German Democratic Republic. From 1949 onwards preliminary legislative efforts were carried out in order to facilitate further service of sovereign debt created before WW2. The summit of initiatives was the London Debt Agreement[4] in 1953, which differentiated between foreigners, domestic bondholders and others regaining possession of their previous securities. The validation process was open for holders of sovereign debt instruments categorizing between Eastern and Western German issuers. In each case, claiming a security as well as proving rights had to be based on reasonable grounds. Pursuant to provisions of the London Debt Agreement, Federal Republic of Germany concluded a settlement with holders of validated pre-war securities restructuing its debt. Maturity was extended, however debt service continued with lowered interest rates. As regards state bonds, pieces of Dawes and Young were subject to the restructuring mentioned. Most of the bondholders made the best of the opportunity, whose debt securities were converted into newly issued instruments called conversion bonds. Until complete redemption, these bonds were traded even in the 1980's, and some of them were redeemed at last only in 2010. (Buxbaum 2016)[5]

Although holders of state bonds were better off with the LDA, debt instruments issued by municipalities and the private sector organisations located in the German

[4] often abbreviated as LDA in the literature
[5] London Debt Agreement, 1953, Annex I.

Democratic Republic fell under different judgement. As regards holders of Dawes and Young bonds, the received two securities in exchange of the old ones. While the first bond intended to cover the amortisation of the original capital investment paid from 1958 onwards, the second security offered compensation for the loss suffered as a result of the partial transfer moratorium took place in 1934 and the suspension of debt service durint WW2. After reunification of Germany declared in 1990 several claims[6] came up culminating in a wave of proceedings against the State founded on such issues as previous validation process, sovereign immunity, distinction between eastern and western region of Germany and of course lapse of time. (see Buxbaum 2016; Clement 2004)

II.2. Example of Austria-Hungary

The historical review of Austro-Hungarian defaults starts in 1867[7] whenas the Compromise between Austria and Hungary was declared setting up the constitutional Monarchy. Similar to Germany, Austria-Hungary also triggered a large debt issuance beforehand on State level as well as among municipalities and the private sector. In 1868 interest payments were reduced concerning pre-Compromise debt, however the volume of Austrian and Hungarian bonds issued separately grew in a rapid but unbalanced way afterwards. Kövér (2018, 2-21) argues, that previously Austria-Hungary had a bad international reputation because of its unstable attitude towards debt service. This feature debased marketing chances of Kingdom of Hungary, which tried to offset bad judgement by offering high yield on debt instruments. Government bonds constituted the most popular securities, that provided stable source of financing infrastructural and budgetary projects. During the last decades of the 19th century access to international markets became easier for the Monarchy. Taking advantage of new possibilities, Austria-Hungary issued such securities, that were partly tailored for

[6] Limitation: These lawsuits and legal arguments of the parties involved are not parts of my Thesis.
[7] Before 1867 Austria governed Hungary in a form of absolutism treating it as a province. Austrian emperors upheld unrestrictable power and they owed hardly any liability to the Hungarian Parliament.

investors from abroad. Taken all around, Austro-Hungarian government bonds even attracted foreign investors, especially the German ones who rather preferred securities issued by either States of Monarchy compared to that of less beneficial domestic debt instruments. (see Kövér 2018; Träg 2019) In spite of the fact, that the Monarchy showed up as a unity in international sphere, bonds issued by either Austria or Hungary were treated as sovereigns only belonging to the issuer. On the other hand, this feature was shaded as Hungary contributed to servicing interest payments of the Austrian bonds without admission to represent them as Hungarian debt. (Kövér 2018)

As a member of the Central Powers, Austria-Hungary was also deprived of the opportunity to acquire funds from foreign money markets between 1914-1918. On the other hand, the Monarchy forged benefit from the potential of wealthy middle-class individuals marketing war bonds to the crowds. Additionally, money supply was extended printing a mass of banknotes. In aggregate, eight series of war securities were issued yielding 53 billion crowns[8][9] for the budget. At the beginning of WW1, bonds were sold at an average rate of 96% offering higher interest, than preceeding government securities. During the last years of the war, 60% of face value was a general price, which continued to be the margin after 1918. Similar to other participants of the war on both sides such as the USA or Germany, there was a substantial pressure on Austro-Hungarian citizens to subscribe these instruments. (see Bruendel 2015; Gross and Gummer 2014)

Peace Treaty of Saint-Germain-en-Laye and Trianon[10] signed in 1919[11] and 1920[12] put an end to Austria-Hungary slicing it up into small Central-European countries. Croatia along with Slovenia and Serbia declared independence forming a conjoined State, which was followed by defection of Czecho-Slovakia. Austria and Hungary also proclaimed their separated Republics, while residual territories were detached to Italy, Romania, Ukraine and Poland. Likewise Germany, Successor States'

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[8] New common unit of account was introduced in 1892 switching from gold forint to gold crown. See Appendix on page 74.

[9] In the literature, both of „crown" and „Krone" signifies currency of Austria-Hungary at that time.

[10] Hungarian concerns are discussed in an autonomous chapter.

[11] Treaty Of Peace Between The Principal Allied And Associated Powers And Austria (Signed At St. Germain-En-Laye, 1919, 10 September)

[12] Treaty of Peace Between The Allied and Associated Powers and Hungary, And Protocol and Declaration, Signed at Trianon June 4, 1920

economies of the Habsburg Empire did not avoid hyperinflation either, the solution of which could not be postponed. Apart from political circumstances, economic considerations also justified to switch from commonly shared crown to brand new national currencies. In line with prescriptions of the Peace Treaties, every crown-denominated Austro-Hungarian banknotes had to be overstamped for the purpose of allocation among Successor States, but the implementation was rather characterized by abusive conduct from the public. Official stamps to mark paper money have often become victims of forgery hindering valid fund separation. After the labelling process, Austro-Hungarian banknotes were converted[13] into Czech crown, Serbian dinar, Romanian lei in no time, however Austria carried out the conversion only by introduction of the new legal unit of account, the schilling in 1925. The delay counted in years demanded high price for Republic of Austria, as deteriorative inflationary trend has depreciated crown by that time. (Spencer and Garber 1992)

Dissolution of Austria-Hungary brought up another field of impetuous debate, that related to after-war treatment of sovereign debt. To start with, Peace Treaties of Saint-Germain and Trianon divided debt into two major categories. Secured debt denoted infrastuctural investments such as railways or mines financed by issued securities, which were adjudicated to Successor States based on territorial grounds respectively. In turn, unsecured debt granting no right to seize investment objects were typically government bonds. As regards war bonds, they were inherited by States based on current location, however the Peace Treaties did not explicitly prescribed further service of these instruments. On the other hand, some of the government bonds were shared among the Successor States based on their proportional contribution to overall

[13] Conversion rates were set as follows: 1 crown amounted to 0,5 lei, 1,05263 dinar, 1 Czech crown and 0,0001 schilling.

revenues[14] of Austria-Hungary between 1911-1913. In addition to this, Austria had to honor debt certificates located outside of former borders. (Spencer and Garber 1992)[15]

Successor States treated debt overhang in a different way. Compared to its neighbours, Czecho-Slovakia was in the most promising shape from financial perspective, which pursued a mixture of austerity activities, for instance capital levies, domestic savings and deflation. Furthermore, Czecho-Slovakia did not hesitate to issue liberation bonds domestically under profitable terms, which turned out to be a great success. With the revenues flowed from selling liberation bonds, the State financed its inherited debt internally and tried to buy allocated pre-war debt back as much as possible. Due to the confidence Czecho-Slovakia gained from investors, it even became net creditor across Central-Eastern-Europe by the middle of the 1920s. (Gross and Gummer 2014)[16]

Inversely, Austria chose to inflate its war debt following a path similar to the German way and repurchase activities were also carried out. Incentives seemed to be clear and grounded here as from one hand most of the holders of war securities were concentrated in Austria and Central-Hungary, on the other hand bonds out of borders burdened the Austrian Republic. War debt was primarily financed by central bank loans, however injecting more crowns into the economy simultaniously eroded the amount Austria was owing to bondholders. As flooding of crowns induced hyperinflation the level of which was no longer controllable, Austria sought for financial aid from the League of Nations. In 1922 the international community allotted 650 million gold crowns, which was able to stabilize financial positions ruling out financial deficit and push back inflation. Besides the external financial aid granted by Geneva Protocols,

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[14] Methodology of allocation gave birth to disputes as from other perspectives (eg. population, territory), liability of Successor States would have been different. Later on, Kingdom of Hungary was the strongest opponent of this imposition, but without any result.
A trianoni békeszerződés végrehajtása, Állami Zárszámadás 1924-25, 133. oldal [=Implementation of the Peace Treaty of Trianon, Court of Auditors Report for the years 1924-25, page 133.] see Appendix on page 80-81. and Trianoni békeszerződés és az azt becikkelyező 1921. évi XXXIII. törvénycikk [=Peace Treay of Trianon and the XXXIII. Hungarian Act of Parliament in 1921. implementing it] Part IX., Financial Clauses, Article 186, see Appendix on page 76-78.

[15] 5. Agreement between the Allied and Associated Powers with regard to the contributions to the cost of liberation of the territories of the former Austro-Hungarian Monarchy, signed at Saint-Germain-en-Laye, September 10, 1919, Article 2. (hereinafter referred to as Cost of Liberation Agreement)

[16] Az országgyűlés felsőházának 29. ülése 1928. évi március hó 21-én, szerdán (jegyzőkönyv 164-175. oldalak) [=29th session of the Upper House of Parliament held on Wednesday, March 21, 1928 (protocol page 164-175.)], see Appendix on page 100-103.

Austria had to cope with strict supervision of the League of Nations. Other than that, adherence to terms of Peace Treaties in particular those regulating debt service was reaffirmed constituting source of abomination towards foreign debtholders later on. (Gross and Gummer 2014)[17]

Although the Peace Treaties regulated distribution of Austro-Hungarian public debt and the corresponding service among Successor States, story of sovereign bonds was far not ended. From the total debt of the Monarchy embodied by securities that were also offered and subsribed abroad, Hungary was liable for 6.331,276.524 gold crowns principle, calculated in the state of 1914 free of inflation. As regards those securities, 36% of the total principal was held by Hungarian investors and 21,4% by Austrian ones respectively. The remaining approximately 42,6% of the total principle was all foreigner held debt. Among foreign investors, Germans, Dutch and other neutrals predominated owning approximately 71% of all foreign subscriptions with British, French, and Belgian bondholders sharing the remaining 29%. In addition to this, the pre-war Hungarian debt also had a considerable portion that was exclusively domestically subscribed and directed to domestic investors, the amount of which was 732,922.509 gold crowns, also calculated at the value of 1914. Furthermore, we must add the 53 billion crowns worth of war bonds subscribed by domestic investors, for which the entire Monarchy was responsible, as well as the entire Austrian debt. (see Bruendel 2015; Gross and Gummer 2014)[18]

After WWI an Inter-Allied Commission called the Reparation Commission was set up, which had an exclusive right to interpret provisions of Peace Treaties operating as a quasi court. The Commission was entitled to draw up a schedule of payments for Austria, Hungary as well as Germany in which interest payments arising from sovereign debt instruments were included. Furthermore, the Commission had discretional rights to approve subsequent international agreements on payment obligations.[19] All Successor States of the Habsburg Empire were struggling with servicing the tremendous amount of Austro-Hungarian debt, however at different levels. By taking the theoretically not

[17] Az országgyűlés felsőházának 29. ülése 1928. évi március hó 21-én, szerdán (jegyzőkönyv 164-175. oldalak) [=29th session of the Upper House of Parliament held on Wednesday, March 21, 1928 (protocol page 164-175.)], see Appendix on page 100-103.
[18] Court of Auditors Report for the years 1921-1922, Hungary, page 138/138.
[19] Treaty of Saint-Germain-en-Laye, Article 179. and Treaty of Versailles, Article 233.

forbidden opportunity, Successor States concluded several covenants on secured and unsecured debt. The purpose of these agreements reregulating terms of debt service was from one hand to partially postpone interest payments relieving annual budgets, on the other hand to reduce indebtness. Innsbruck Covenant was signed in 1923 completed by Protocol of Prague in 1925 and Paris Covenant concluded in 1926 approved without exception by the Reparation Commission. These agreements finally set out exact portions of Austro-Hungarian debt divided up among Successor States. Moreover, a distinction between foreigners[20] and domestic bondholders was made.[21] While debt service in relation of domestic ones stayed in line with the Peace Treaties concerning interest rates, those of unsecured debt belonging to foreigners were reduced to 32% and 27% of the original rate depending on the particular bond. In addition to this, residual interests that remained unpaid since 1914 were prevised from 1926 onwards.[22] Beyond Reparation Commission, another supranational organisation, the Caisse Commune[23] was set up with headquarters located in Paris. In principle, CC was empowered and obliged to allocate interest payments among foreign bondholders accumulated from Successor States. Moreover, it embodied a bridge between foreign bondholder representative committes and debtor countries.[24] Paris Agreement and supplementary covenants concluded in 1930 closed the line of conventions on pre-war debt of the Monarchy, which shortened bond durations placing in view further gradual increase of interest rates. Compared to the previous covenants, Hungary refused to undertake revaluation obligations and opted out.[25]

Crash of New York stock market in 1929 inferred capital flight across Europe, which affected Austria's biggest bank, Vienna's Creditanstalt injuriously. Investors

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[20] In the eye of Innsbruck Covenant, foreigner denotes a bondholder outside the former borders of Austria Hungary.

[21] Cost of Liberation Agreement, Annex

[22] Innsbruck Convention, Article 9. and Innsbrucki Egyezmény, 1923. [=Innsbruck Convention of 1923], Rendelet a háború előtti magyar államadósságok jövőbeni kezelése tárgyában (Külügyi Közlöny, 1926. június 5. VI. évfolyam, 4. szám 15-16. oldalak) [=Decree on the future management of pre-war Hungarian public debt (Foreign Affairs Gazette, 5 June 1926 VI. grade, number 4. page 15-16.], see Appendix on page 78-79.

[23] Caisse Commune=Joint Office of Foreign Holders of Bonds of the Austrian and Hungarian Pre-war Public Debts

[24] Innsbruck Convention, Article 1. and Cost of Liberation Agreement, Annex

[25] Cost of Liberation Agreement, Annex, and Paris Agreement, 31. October, 1930, and Állami Zárszámadás 1930-31, Jelentés az 1930-31. évi zárszámadásról 27-29 oldalak [=Court of Auditors Report for the years 1930-31, Report on the final accounts for the year 1930-31 page 27-29.], see Appendix on page 85-86.

from Western-Europe withrew funds from Austria thus weakening the schilling, which provoked a bank run. As a result of illiquidity, investors lost confidence in Creditanstalt launching a domino effect. International banking crisis swept through Europe from London to Berlin causing a series of bankruptcies in 1931. (Gross and Gummer 2014)

As we see, treatment of defaults after WW1 were in sharp contrast to each other. Austria followed a classical inflationary path eroding its own war-debt by taking advantage of non-existent obligation to honor it. In turn, Czecho-Slovakia introduced austerity measures providing an undisputedly more beneficial restructural situation for bondholders. Moreover, both of these Successor States bought back a considerable amount of war bonds. One of the main reasons of Great Depression's chain reactional impact in Europe is attributed to prior financial instability driven by creation of new national currencies by Successor States. Defaults occured between 1931-1932 were resolved by debt restructurings, where Successor States represented an almost unified position towards bondholders strictly favouring domestic ones. (see Gross and Gummer 2014; Sturzenegger and Zettelmeyer 2006)[26]

II.3. Hungary

Kingdom of Hungary was an integral part of the Austro-Hungarian Monarchy on constitutional basis from 1867 onwards. After the Compromise, Hungary needed funds in order to boost internal economic development. There were basically two choices, attracting potential domestic investors or somehow get access to foreign markets. After 1867 internal purchasing power was utilized initially by marketing bonds directly to the public, however in 1872 Hungary showed up in the London Stock Exchange for the first time. Due to the fact, that foreign investors were distrustful of the Monarchy at that time, these considerations were offset by offering higher yields. Furthermore, a few years later Hungary tried to attract attention of investors from abroad by issuing multilingual government debt instruments. These bonds were mostly denominated in

[26] Paris Agreement, 31. October, 1930, and Cost of Liberation Agreement, Annex.

gold forints[27], however the currency was equivalent[28] to certain fraction of other European currencies based on gold content. After reassuring the markets, Hungary switched from generally applied six percent interest rates to four percent. Within the first conversion[29] in 1881 the preceeding government bonds offering six percent interest rate were withdrawn and changed to new securities on lower rates. The second and third conversion[30] took place in 1888 and 1892 respectively, when certain kinds of bonds were merged providing lower yields for the future. Hungarian governmental bond series became so popular across international markets, that by the turn of the 19th century, most of government securities were held by foreign investors. (Kövér 2018)

During the first world war, the eight series of war bonds were issued partially in Hungary, which lacked the opportunity of external finance. In addition to this, the government ran a massive propaganda encouraging subscription for these securities selling them without residuals. (see Bruendel 2015; Spencer and Garber 1992; Gross and Gummer 2014)[31]

Beyond dissolution of Austria-Hungary, Peace Treaty of Trianon signed in 1920 sliced Hungary up taking away approximately two third of its former territory. Moreover, a short internal riot stirred up moods and Hungary sank into anarchy. From the armistice, Hungary pursued a clear inflationary policy uplifting government debt, which was strongly influenced by internal political instability. In order to solve temporary financial turmoil additional banknotes were printed and injected into the economy, however such monetary policy was only suitable to boost inflation. By breaking up the Austrian-Hungarian Bank, circumstances continued to deteriorate resulting in a hyperinflation. Among the Habsburg Successor States, Hungary lagged behind with its measures. Following the Austrian example, Hungary turned to the

[27] Currency of Austria-Hungary between 1868-1892
[28] 100 forints = 250 francs = 200 marks = 10 pounds sterling
[29] 1881. évi XXXII. törvénycikk [=XXXII. Act of Parliament in 1881] 1. §, see Appendix on page 71.
[30] 1880. évi VIII. törvénycikk [=VIII. Act of Parliament in 1880] 1. §, see Appendix on page 70. and 1888. évi VI. törvénycikk [=VI. Act of Parliament in 1888] 4. §, see Appendix on page 72. and 1892. évi XXI. törvénycikk [=XXI. Act of Parliament in 1892] 1. § and 7-8. §, see Appendix on page 72-73.
[31] Az országgyűlés felsőházának 29. ülése 1928. évi március hó 21-én, szerdán (jegyzőkönyv 164-175. oldalak) [=29th session of the Upper House of Parliament held on Wednesday, March 21, 1928 (protocol page 164-175.)], see Appendix on page 100-103.

League of Nations for financial aid. An international loan[32] was granted up to 253 million crowns, however Hungarian economy was put under supervision. Overstamping crown denominated banknotes was carried out the latest of the neighboring countries, which made Hungary a target of abusive conduct. Banknotes already registered for instance in Austria or Czecho-Slovakia flowed into Hungarian territory by smugglers removing official stamps. Hungarian currency reform also took place with a considerable delay, but eventually a new national unit of account, the pengő[33] was introduced in 1925[34] in replacement of depreciated crown. The reconstruction loan along with currency reform were successful in eliminating budget deficits and kept inflation under control. On the other hand, Hungary was placed under a protectorate. Moreover, it confirmed compliance with the Peace Treaty. (see Spencer and Garber 1992; Gross and Gummer 2014)

As regards debt recognition and service Hungary acted initially in the same way as Austria, however later on it showed some essential differences. First of all, similarly to the other Habsburg Successor States, distinction between secured and unsecured debt has been made. Morover, certain government bonds were subject to capital levy. By accepting terms of the Peace Treaty of Trianon, Hungary acknowledged the imposed portion of sovereign debt allocated by the Reparation Commission, which was confirmed by acts of Parliaments.[35] In full agreement with the Successor States, Hungary was a contracting party to Innsbruck Convention and the following complementations. (Gross and Gummer 2014)[36]

Beyond financial motives, reduction of interest rates and duration regarding foreigners was strongly incentivized by prevailing political views. In the 20s and 30s, right wing governments represented hatred of Western Powers making them liable for

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32 Financial aid –called „Relief Credit" in Hungary- was embodied in governmental bond issuances. These securities were denominated in various currencies and were issued in Great Britain, USA, Italy, Switzerland, Sweden, the Netherlands, Czecho-Slovakia and Hungary.

33 The conversion rate was 1 pengő=12500 crowns.

34 1925. évi XXXV. törvénycikk [=XXXV. Act of Parliament in 1925] 1. § and 17. §, see Appendix on page 81.

35 Peace Treaty of Trianon was implemented into Hungarian law by XXXIII. Hungarian Act of Parliament in 1921. Moreover, 1931. évi XI. törvénycikk [=XI. Act of Parliament in 1931] secured adherence to debt service again, however it also envisaged possible conclusion of international covenants in the subject matter of inherited Habsburg debt. See Appendix on page 84-85.

36 Cost of Liberation Agreement, Article 1-5. and Annex

mutilation of Hungary, which left its mark on the treatment of foreign bondholders. On top of that, Hungary refused to conclude Paris Agreement along with its complementary documents in 1930 Hungarian representatives argued, that making room for more beneficial security revaluation in the future is strictly ruled out for foreigners. Likewise Germany, considerable bond repurchase was implemented instead at a depressed price taking advantage of the Great Depression's European impact.[37]

Between 1939-1945 none of the sovereign debtholders received interests either via Caisse Commune or domestically, which were only prevised in budgetary Act of Parliaments. WW2 brought about hyperinflation in Hungary, which was terminated by a currency reform switching from inflated pengő to forint. Paris Peace Treaty[38] signed by Hungary in 1947 settled bondholder claims by prescribing further service of pre-war debt instruments. In addition to this, loss of enforceability due to lapse of time was ruled out for the period, when military operations were carried out in Europe. As Hungary was hit hardly by WW2 and due to the lack of financial capacity, sovereign debt service was suspended for indefinite time in 1945 affecting domestic and foreign investors alike. In accordance with Paris Peace Treaty, Hungary officially acknowledged debt service obligation, but suspension of payments remained in force. On the other hand, after the communist takeover in 1949[39] all of previous sovereign debt were simply repudiated.[40]

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[37] Állami Zárszámadás 1930-31., Jelentés az 1930-31. évi zárszámadásról 27-29 oldalak [=Court of Auditors Report for the years 1930-31, Report on the final accounts for the year 1930-31. page 27-29.], see Appendix on page 85-86. and Az országgyűlés felsőházának 29. ülése 1928. évi március hó 21-én, szerdán (jegyzőkönyv 164-175. oldalak) [=29th session of the Upper House of Parliament held on Wednesday, March 21, 1928 (protocol page 164-175.)], see Appendix on page 100-103.

[38] Treaty of Peace Between the Allied and Associated Powers and Hungary, Paris, 10. February 1947 (hereinafter referred to as Paris Peace Treaty)

[39] After 1949, none of the debt instruments showed up in state accounting as an obligation serviced.

[40] Jelentés az 1947-48-as költségvetésről [=Report on the Budget for the years of 1947-48, Hungary], see Appendix on page 88-89. and 670/1946. M.E. rendelet [=670/1946. Decree of the Prime Minister] 2. §, see Appendix on page 86. and 9000/1946. M.E. rendelet [=9000/1946. Decree of the Prime Minister] 7. §, see Appendix on page 86-87.

III.0. Case Study

III.1. History of Royal Hungarian Bonds

After the Compromise with Austria that took place in 1867 Hungary desparately needed funds for development. Due to the bad international reputation of Austria as a debtor, a bumpy road led to success in collecting financial resources to boost the economy. Following the example of other European powers, Hungary flooded the market with governmental bonds serving the needs of foreign investors. Fitting well into the already functioning Latin Monetary Union, Hungary gradually issued Royal Hungarian Bonds, which became popular among foreigners demonstrated by the sales volumes abroad. The Rotschild Consortium comprising organisations and financial institutions worldwide possessing large influence was officially entrusted with the administration and management of the sales. (Kövér 2018)

Royal Hungarian Bonds were issued based on Acts of Parliaments of 1880. VIII., 1881. XI. and XXXII., 1887. XXXII., 1888. VI. and 1892. XXI. We can distinguish between four issuance dates and series. The first and most effective one was carried out on the 11th of May in 1881 with an overall nominal value of 545,000.000 gold forints. A few years later, the first in a row was followed by three more issues in 1888 and 1893 respectively. The bond series issued on the 1st of January in 1888 was completely sold in German territory, however Hungarian investors also bought from the rest. In addition to this, the economic considerations behind the emissions also show some differences. First of all, the aim of the series issued in 1881 was to reduce annual interest charges by redeeming many existing bonds having interest rate of 6% and converting them into Royal Hungarian Bonds offering interest rate of 4%. On the other hand, Royal Hungarian Bonds sold to the public in 1888 filled the budget deficit and replenished the reserves of the state treasury accordingly. Approaching the turn of the century private railways were nationalized. Eventually, the last series of Royal

Hungarian Bonds issued in 1893 intended to compensate such shareholders in return to invalidating and collecting their shares.[41]

Royal Hungarian Bonds had a uniform content applicable for all series and every holders of these securities. The Hungarian front page of Royal Hungarian Bonds is followed by equivalent English, German and French translations as these securities were primarily marketed to foreign investors. According to the terms and conditions, the face value was expressed in gold forint. The 4% annual interest was divided into two installments, which were due in January and July respectively. Coupons were attached to the bond enough for ten years and the coupon sheet was subject to renewal after that period. Furthermore, the coupons were declared to be exempt from any current and future taxes and fees. Gold forint was introduced as a common official unit of account of Austria-Hungary in 1869 Gold coins of 4 and 8 forints were minted with 90% fineness depicting Franz Josef I. Austro-Hungarian emperor in the front. These coins were equivalent to 10 and 20 gold francs based on gold content. Furthermore, claims arising from Royal Hungarian Bonds were declared to be integral part of Hungarian state debt.[42]

Although the face value was denominated in gold forints, holders of Royal Hungarian Bonds had the right to choose between four European currencies in any of which the interests could be picked up. In the eye of the original piece of bond attached, 1000 gold forints were equal to 2500 francs, 100 pound sterling and 2025 marks proportional to the gold content of currencies named. These multilingual and multi-currency governmental bonds provided sufficient flexibility for investors allowing them to benefit from market speculation about exchange rates. Furthermore, foreign bondholders also benefited from these securities for convenience as it was secured to

[41] 1880. évi VIII. törvénycikk [=VIII. Act of Parliament in 1880] 1. §, see Appendix on page 70. and 1881. évi XI. törvénycikk [=XI. Act of Parliament in 1881] 1. §, see Appendix on page 70. and 1881. évi XXXII. törvénycikk [=XXXII. Act of Parliament in 1881] 1. §, see Appendix on page71. and 1887. évi XXXII. törvénycikk [=XXXII. Act of Parliament in 1887] 1. §, see Appendix on page 71-72. and 1888. évi VI. törvénycikk [=VI. Act of Parliament in 1888] 4. §, see Appendix on page 72. and 1892. évi XXI. törvénycikk [=XXI. Act of Parliament in 1892] 1. §, 7. § and 8. §, see Appendix on page 72-73. and Table summarizing data of Royal Hungarian Bonds, see Appendix on page 65. and A pénzügyi bizottság jelentése az 1887. évi XXXII. törvénycikk végrehajtásáról, 1. oldal [=Report of the Finance Committee on the implementation of XXXII. Act of Parliament in 1887 (page 1.)], see Appendix on page 72.
[42] Royal Hungarian Bond, see Appendix on page 52-55. and 1869. évi XII. törvénycikk [=XII. Act of Parliament in 1869] 1-3.§, see Appendix on page 69. and A gold coin of 4 forints = 10 francs and A gold coin of 8 forints = 20 francs, see Appendix on page 56.

honour coupons in numerous major European cities, for instance Vienna, Paris, Berlin or even London. Another feature of Royal Hungarian Bonds is, that they were not assigned to one particular person, but the current possessor was assumed to be the owner at once. According to these terms, the ownership of securities could be transferred without considerable administrational obstacles thereby facilitating convenient trading in the markets.[43]

Contrary to the annual interests generally having 5 years of expiry[44] the principal of Royal Hungarian Bonds have no maturity, except for the series issued in 1893. Despite the fact, that the provisions of the bonds are completely silent on maturity, it is governed by law on which the issues are based. While XXI. Act of Parliament in 1892 expressis verbis sets a maturity of 75 years, the other legal grounds of issuances do not prescribe such a period for the rest of the series. The case of the 1881 issue is interesting and decisive. XXXII. Act of Parliament in 1881 brings previous bonds within the scope of the Act, thereby effecting the conversion. Among the statues of previous securities issued there is only one, namely the II. Act of Parliament in 1879 that prescribes 36 years of maturity for a bond, however the legislator excluded this kind of financial instrument in 1881 letting it to expire. Consequently, XXXII. Act of Parliament of 1881 converts only governmental bonds without maturity replacing them with never expiring Royal Hungarian Bonds.[45]

In 1892 gold forint was replaced by gold crown as a new Austro-Hungarian national unit of account, however the previous currency was officially let to be a mean of payment in the following years further. The exchange rate was set by law as follows:

[43] Royal Hungarian Bond, see Appendix on page 52-55.
[44] i.e.: A bondholder has 5 years to claim for coupon payments. The expiry of the time limit terminates the right of claim. I will show the details later in a separated chapter.
[45] Jelentése a magyar királyi pénzügyministernek a […] 1892. évi XXI. törvénycikk végrehajtásáról (2. oldal) [=Report of the Royal Hungarian Minister of Finance on the implementation of XXI. Act of Parliament in 1892 (page 2.)], see Appendix on page 74. and 1879. évi II. törvénycikk [=II. Act of Parliament in 1879] 3. §, see Appendix on page 70. and 1880. évi VIII. törvénycikk [=VIII. Act of Parliament in 1880] 1. §, see Appendix on page 70. and 1881. évi XI. törvénycikk [=XI. Act of Parliament in 1881] 1. §, see Appendix on page 70. and 1881. évi XXXII. törvénycikk [=XXXII. Act of Parliament in 1881] 1. §, see Appendix on page 71. and 1887. évi XXXII. törvénycikk [=XXXII. Act of Parliament in 1887] 1. §, see Appendix on page 71-72. and 1888. évi VI. törvénycikk [=VI. Act of Parliament in 1888] 4. §, see Appendix on page 72. and 1892. évi XXI. törvénycikk [=XXI. Act of Parliament in 1892] 1. § and 7-8. §, see Appendix on page 72-73.

42 gold forints equal 100 gold crowns.[46] From 1900 onwards, the interests on the gold forint denominated Royal Hungarian Bonds were paid with an appropriate conversion without modifying terms and conditions of these securities. As state of 1914 we can be sure that these bonds were mostly bought by foreigners in relation of Hungary. The largest group was made up of bondholders from Germany, the area of German Lowland and other countries' considered neutral by the Monarchy possessing 689,8 millions of gold crowns face value. In addition to this, investors from France, Great-Britain and Belgium constituted the second major faction holding 533,4 millions face value. Unlike foreigners, Royal Hungarian Bonds were not so preferred by Austrian and Hungarian investors, who had only the relatively small amount of approximately 286 million crowns compared to Western-European and other powers. As we can see from the summary graph there is an apparent positive correlation between payment places and the investors, i.e. the location of major cities, where the coupons could be honoured determines the composition of bondholders.[47]

From Hungarian point of view, Peace Treaty of Trianon meant not only the dissolution of Austria-Hungary as a straight result of loosing WWI, but the fragmentation of historical Hungarian territory too triggering a number of economical and political issues. After the war, in addition to settling the new borders, the issue of the debt of the monarchy came up above all else. In other words, like in Germany and in every Successor States of Austria-Hungary the classical question arose: What will happen with governmental debt? Initially, it was also questionable whether there would be a contractual payment obligation in relation of debt instruments and if so, which securities might be affected. The Peace Treaty has been ratified and implemented by Hungary, which was followed by the process of internal legislation in compliance with its provisions. First of all, Hungary acknowledged the amount of pre-war public debt imposing a 20% of capital levy onto the bondholders. Furthermore, the overstamping of Royal Hungarian Bonds in Hungary had been ordered. Based on Hungarian law, failure

[46] 1892. évi XVII. törvénycikk [=XVII. Act of Parliament in 1892] 1. §, see Appendix on page 74. and 1892. évi XIX. törvénycikk [=XIX. Act of Parliament in 1892] 2. §, see Appendix on page 74.
[47] Distribution of Royal Hungarian Bonds based on current owners in 1914, see Appendix on page 57. and Állami Zárszámadás 1920-21. [=Court of Auditors Report for the years 1920-1921], page 138/138.

to overstamp securites may have resulted in forfeiting the right of raising claims against the State.[48]

The further fate of Royal Hungarian Bonds, which formed a considerable part of the unsecured government debt of Hungary, was settled by the Peace Treaty. Introducing warranty rules was also much needed, as the citizens of the Allies were heavily involved and incentivized in the matter. Additionally, severe inflation took place in the Successor States, in particular in Austria and Hungary, threatening with the complete devaluation of principals and interests paid in crown at that time. In accordance with the relevant rules of the Treaty, the Reparation Commission adjudicated the amount of Royal Hungarian Bonds to the Successor States imposing debt service obligation onto them. In making the final decision, average financial capacity of the years 1911, 1912 and 1913 of Hungarian territories was taken into account as well as revenues distributed among torn areas of Hungary. As a result of this, 45,733% of the overal face value issued of Royal Hungarian Bonds was allocated to Hungary entailig huge debt service obligation. Bondholders up to the amount set became creditors of the all-time Hungarian Government, which had the exclusive payment commitment relating those bonds held. At the same time, creditors of Hungary lost the right of raising a claim towards any other Successor State. Similarly, Romania acquiring Transylvania from Hungary became liable for 21.802% of Royal Hungarian Bonds. Furthermore, Czechoslovakia was able to rise to third place on the podium with 16.02%, while the debt service burden imposed on the rest of the Successor States was rather low. In line with provisions of the Peace Treaty, further debt service of Royal Hungarian Bonds denominated in gold forints had to be carried out in gold pound sterling and gold dollar of the USA proportional to gold content. In addition to this, bondholders could still choose between these currencies in which they desired annual interest payments. Peace Treaty of Trianon fixed the proportionality factor of these currencies relating to the final face values and interests for Royal Hungarian Bonds as

[48] Trianoni békeszerződés és az azt becikkelyező 1921. évi XXXIII. törvénycikk [=Peace Treay of Trianon and the XXXIII. Hungarian Act of Parliament in 1921 implementing it] see Appendix on page 76-78. and 1921. évi XXVI. törvénycikk [=XXVI. Act of Parliament in 1921] 1. §, see Appendix on page 75-76. and 9930/1920. M.E. rendelet [=9930/1920. Decree of the Prime Minister] 1-2. § and 4. §, see Appendix on page 75. and 960/1925. M.E. rendelet [=960/1925. Decree of the Prime Minister] 1. §, 3. § and 6. §, see Appendix on page 81-82.

follows: „equivalents being calculated on the basis of the weight and fineness of gold of the three coins as enacted by law on January I, 1914." (Spencer and Garber 1992)[49]

Shortly after the ratification of the Peace Treaty, another problem arose that fell outside the scope of the applicable regulation. The Successor States, which were separated acting independently at that time, entered into negotiations with each other along with representative committees of bondholders as a result of which their considerations were united. In 1923, a Convention was concluded in Innsbruck regulating –among more- those pieces of Royal Hungarian Bonds and the relating debt service outside the former territories of the Monarchy, that remained unstamped. Innsbruck Convention, which was fully accepted by all Successor States, remedied the shortcomings of the Peace Treaty, however, it was significantly more disadvantageous for bondholders. According to the provisions of the Convention, the Caisse Commune was set up collecting annual interest payments of debtor Successor States owing after old foreign-owned denominations[50] and transferring them further towards bondholders. Annual coupons of Royal Hungarian Bonds were reduced to 32% compared to the original interest rate. Moreover, the Convention entrusted the Caisse Commune with the choice of the final currency in which payment obligations should be met, taking this opportunity away from bondholders.[51] In the following years, several agreements were reached between the Successor States, which refined the provisions of the Convention such as Prague and Paris in 1925 and 1930, however the substance of the provisions has not changed. These additions were accepted by all parties, but Hungary refused to sign the latest one in 1930. The recently mentioned Paris Agreement gradually intended to modify the reduced interest rate of Royal Hungarian Bonds from 32% to 100%. Moreover, it has been declared, that the infinite duration of these bonds should be

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[49] Trianoni békeszerződés és az azt becikkelyező 1921. évi XXXIII. törvénycikk [=Peace Treay of Trianon and the XXXIII. Hungarian Act of Parliament in 1921 implementing it] Part IX., Financial Clauses, Article 186. point 2 and Annex, see Appendix on page 76-78. and Distribution of Hungarian state debt due to the decision of the Reparation Commission, see Appendix on page 57. and A trianoni békeszerződés végrehajtása, Állami Zárszámadás 1924-25." [=Implementation of the Peace Treaty of Trianon, Court of Auditors Report for the years 1924-25], page 133/133, see Appendix on page 80-81.
[50] old foreign-owned denominations = securities held by investors having citizenship different from that of those belong to any of the former territory of the Monarchy
[51] Innsbrucki Egyezmény, 1923. [=Innsbruck Convention of 1923] and Rendelet a háború előtti magyar államadósságok jövőbeni kezelése tárgyában (Külügyi Közlöny, 1926. június 5. VI. évfolyam, 4. szám 15-16. oldalak) [=Decree on the future management of pre-war Hungarian public debt (Foreign Affairs Gazette, 5 June 1926 VI. grade, number 4. page 15-16.], see Appendix on page 78-79.

lowered to 50 years. In contrast, Hungary has taken its own path and also taken increasingly unpredictable and illogical steps about debt service. First of all, instead of signing Paris Agreement, Hungary bought back Royal Hungarian Bonds only from foreigners up to 16,6 millions of gold forints face value on a depressed price taking benefit from the European impact of the Great Depression. On the other hand, as before within the burden of Innsbruck Convention or in connection with the relief credit provided by the United Nations, Hungary again declared adherence to the provisions of the Peace Treaty of Trianon in 1931. Furthermore, the possibility of concluding multilateral international agreements on the topic of debt service was enacted, but it was never exploited though.[52]

In the 1920s, Hungary was eventful in the world of politics. Both the opposition and the right-wing ruling party intensively blamed each other and the Peace Treaty of Trianon for the grievous financial situation.[53] The Treaty was generally seen as a punishment of the West and hatred of foreign bondholders was growing because of the contractual obligation to pay considerable amount of interests for abroad. In spite of the fact, that Hungary submitted itself to the decision of the Reparation Commission, methodology was actively criticized. It was suggested that taking into account only the financial capacity leads to a distorted result in the allocation of former debt disregarding territorial and population aspects. Moreover, is was casted in the eyes of the Government why they did not buy back a large number of bonds after the Austrian and Czech models reducing annual interests greatly. At the same time, the Hungarian Government conducted such a practise, that distinction was made between foreigners and domestic investors. While interests of Royal Hungarian Bonds were duly calculated in gold US dollars based on the desire of Caisse Commune, domestic bondholders were paid by inflated paper crown breaching the provisions of the Peace Treaty and

[52] Állami Zárszámadás 1930-31, Jelentés az 1930-31. évi zárszámadásról 27-29 oldalak [=Court of Auditors Report for the years 1930-31, Report on the final accounts for the year 1930-31 page 27-29], see Appendix on page 85-86. and Innsbrucki Egyezmény, 1923. [=Innsbruck Convention of 1923] Rendelet a háború előtti magyar államadósságok jövőbeni kezelése tárgyában (Külügyi Közlöny, 1926. június 5. VI. évfolyam, 4. szám 15-16. oldalak) [=Decree on the future management of pre-war Hungarian public debt (Foreign Affairs Gazette, 5 June 1926 VI. grade, number 4. page 15-16.], see Appendix on page 78-79. and 1931. évi XI. törvénycikk [=XI. Act of Parliament in 1931] Article 2., points 1-2, see Appendix on page 84-85.
[53] Assessment and qualification of Trianon as a Hungarian is beyond the intention of my Thesis, let alone supporting political considerations.

constituting direct discrimination.[54] Opposition MPs have spoken out on numerous occasions representing domestic bondholders. The government was blamed for the systematic violation of the Treaty and a lack of valorisation in relation of Hungarian bondholders. Although individual private law cases has reached the Hungarian Supreme Court, which adjudicated for bondholders representing a clear and consequent point of view, the Government has consistently neglected this relying on the lack of financial capacity. The legal basis of such decisions on which the highest judicial forum of Hungary relied upon was mostly included in the XII. Act of Parliament of 1928. As stated in the explanatory part of a final verdict, demanding gold and paying back inflated paper money does not constitute a fulfillment of an obligation. Furthermore, the extra charge of the interim depreciation of the currency should be borne by the debtor, as in such case the creditor claims for nothing in excess of his or her demand.[55]

The introduction of the pengő in 1925 as a new national unit of account put an end to the inflation in Hungary, which was the largest in the region. Crown of Austria-Hungary

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[54] History of Royal Hungarian Bonds can be extracted and learned from Court of Auditors Reports that contain every relevant information. I cite them in the following way: [**year**. electronic pages/page numbers according to the original printed document] Relevant Court of Auditors Reports: **1894**. pages 244/238. and 196/190, **1895**. page 272/272, **1896**. page 674/278, **1897**. page 592/200, **1898**. page 612/186, **1899**. page 598/206, **1900**. page 636/224, **1901**. page 674/230, **1902**. page 676/230, **1903**.page 690/230, **1904**. page 244/244, **1905**. page 720/270, **1906**. page 842/276, **1907**. page 862/284, **1908**. page 960/308, **1909**. page 984/306, **1910**. page 1046/322, **1911**. page 994/318, **1912**. page 950/358, **1913**. pages 888/358. and 2325/71, **1914**. page 824/350, **1914-1915**. page 728/318, **1915-1916**. page 376/376, **1916-1920**. no data, **1920-1921**. page 138/138, **1921-1922**.page 644/468, **1922-1923**. pages 678/524. 520/60. and 107/79, **1923-1924**. pages 798/520. and 804/626, **1924-1925**. pages 568/412. and 573/417, **1925-1926**. page 568/388, **1926-1927**. pages 658/386. and 662/390, **1927-1928**. pages 730/394. and 719/383, **1928-1929**. pages 708/400. 709/401. and 44/44, **1929-1930**. pages 698/398. 453/153. and 720/420, **1930-1931**. pages 796/424. and 805/433., **1931-1932**. pages 698/414. and 707/423, **1932-1933**.pages 684/414. and 692/422, **1933-1934**. pages 672/368. and 673/369, **1934-1935**. pages 682/370. and 683/371, **1935-1936**. pages 264/236. and 265/237, **1936-1937**. page 220/212, **1937-1938**. pages 240/218. and 241/219, **1938-1939**. pages 254/232. and 255/233, **1939-1940**. pages 276/254. and 277/255, **1941**. pages 306/286. and 307/287, **1942**. page 304/284, **1943**. page 213/213, **1944-1946**. no data, **1946-1947**. page 230/214, **1947-1948**. page 326/302,, see the links and the sample table of a Court of Auditors Report in Appendix on page 58-63.

[55] A nemzetgyűlés 540. ülése 1926. évi április hó 28-án, szerdán (jegyzőkönyv, 72-74. oldalak) [=540th session of the National Assembly held on Wednesday, April 28, 1926 (protocol page 72-74.), see Appendix on page 99-100. and Az országgyűlés felsőházának 29. ülése 1928. évi március hó 21-én, szerdán (jegyzőkönyv 164-175. oldalak) [=29th session of the Upper House of Parliament held on Wednesday, March 21, 1928 (protocol page 164-175.)], see Appendix on page 100-103. and Az országgyűlés képviselőházának 291. ülése 1929. május 13-án, hétfőn (jegyzőkönyv 201. oldal) [=291st session of the House of Representatives held on Monday, May 13, 1929 (protocol page 201.)], see Appendix on page 103. and Az országgyűlés képviselőházának 393. ülése 1930. évi május hó 16-án, pénteken (jegyzőkönyv 98. oldal) [=The 393rd session of the House of Representatives held on Friday, May 16, 1930 (protocol page 98.)], see Appendix on page 104. and 1928. évi XII. törvénycikk, [=XII. Act of Parliament in 1928], see Appendix on page 83.

was replaced and the following exchange rate came into force: 1 pengő = 12,500 crowns. The 1930s proved to be uneventful in terms of Royal Hungarian Bonds. The Government continued its breach of contract with the difference that final payment of interests were converted to pengő. During WWII, the issue of Royal Hungarian Bonds remained completely pending with no debt service being made since 1940 neither in relation of foreigners nor for domestic ones. Although, in principle, there was an opportunity for further debt service after the end of the combat operations, Hungary's financial and infrastructural circumstances did not allow to carry it out. Instead, a decree was enacted and announced in 1946 preventing the enforcement of claims against the Hungarian State thereby making the position of bondholders uncertain. On the other hand, it gave investors a faint ray of hope that counting and conversion of private law claims in terms of depreciated pengő after the war was also suspended. Inflation has quickly bitten to such an extent that it far exceeded the levels that of the 1920s. The forint[56] was introduced on the 1st of August 1946 replacing the devalued pengő. With the exchange rate „400.000,000.000,000.000,000.000,000.000 (four hundred thousand quadrillion) pengő = 1 forint" Hungary set a world record for inflation. The newly formed Government of the Republic of Hungary intended to settle public debts as soon as possible reassuring creditors. Due to the Russian and German presence in Hungary and the destruction caused by military operations, many bonds were destroyed or simply disappeared, that was the reason why the real Hungarian bond portfolio had to be clarified first and foremost. Lost and destroyed bonds were replaced by temporary receipts based on data of official records administered by governmental organisations, while original pieces of securities that no longer existed or found were declared null and void by courts, thus preventing subsequent claims arising from stolen ones. Furthermore, two consecutive budgetary Act of Parliaments have officially declared that beyond many other securites, Royal Hungarian Bonds will continue to be part of government debt. In addition to this, claims for residuary and future interest payments were also acknowledged by Hungary, however relying on lack of financial capacity debt service continued to be suspended. The aggregate face value of Royal Hungarian Bonds was expressed in newly introduced forints excluding the impact of previous inflation of

[56] This finally introduced forint (without gold content), which is the official unit of account even today should not be confused with the gold coin forint used during the Monarchy.

pengő. Moreover, in 1947 Hungary ratified Paris Peace Treaty and inplemented it into Hungarian law. In line with the relevant provisions and in the view of the state of war, all deadlines that applied to Royal Hungarian Bonds had to be treated as suspended between 1939-1947. According to the terms and conditions of these securities, the bondholder could enforce his or her claim by presenting the current coupon. Enforcement was obviously impossible during the war, to which the Peace Treaty had regard. This meant in practice that if the bondholder was unable to raise claims for payments based on the coupons matured during the war, such claims were not lost due to expiry, but could be raised afterwards. These regulations assured holders of Royal Hungarian Bonds of the protection and continued existence of their rights irrespective of nationality, thus institutionalizing further debt service of Hungary.[57]

The Hungarian communist takeover in 1948-1949 unexpectedly hit the international and domestic public alike and the situation of creditors once again became precarious due to the conceptions represented by state power. The first thing for the state party was to further suspend potential claims of creditors against Hungary, which in itself did not seem dangerous yet. On the other hand, many type of bonds and shares had to be submitted under a Council of Ministers decree, which also applied to Royal Hungarian Bonds because of the calculation of interests in gold pound sterling and gold US dollar applicable since 1921. The regulation was applied to everyone and to all organizations that held the bonds and shares in question even abroad. The aggressiveness of the provision is shown by the threat of imprisonment in the event of failure of deposit obligations making a difference between negligence and wilfulness. According to the relevant literature, the submissions and deposits ordered and carried out together intended to prevent bondholders from acquiring compensation and enforcing claims later. In addition to this, the scrapping of bonds without a CC stamp [=Caisse Commune] was ordered, which declared to represent no value. The arbitrary declaration of the non-CC stamped bonds, wich were by fact held mostly by residents of

[57] 1925. évi XXXV. törvénycikk [=XXXV. Act of Parliament in 1925] 1. § and 17. §, see Appendix on page 81. and 670/1946. M.E. rendelet [=670/1946. Decree of the Prime Minister] 1-2. §, see Appendix on page 86. and 9000/1946. M.E. rendelet [=9000/1946. Decree of the Prime Minister] 7. §, see Appendix on page 86-87. and 8640/1946. M.E. rendelet [=8640/1946. Decree of the Prime Minister] 1. §, see Appendix on page 87. and Jelentés az 1946-47-es költségvetésről [=Report on the Budget for the years 1946-47, Hungary], see Appendix on page 87-88. and Jelentés az1947-48-as költségvetésről [=Report on the Budget for the years of 1947-48, Hungary], see Appendix on page 88-89. and Court of Auditors Reports, see Appendix on page 59-63. and citation 54.

Hungary was clearly aimed to prevent claims of domestic investors constituting a large fraction of state debt. The idea behind such conduct was clear. Unlike foreigners protected by distance, Western Powers and lack of Hungarian authority, Hungarian citizens had no bargaining power let alone claims enforcement within the burden of an authoritarian regime. (Mihályi 2018)[58] After that, although foreign holders of Royal Hungarian Bonds were not subject to scrapping, the Hungarian state party simply refused to honour any securities without further notice and legislation. From 1949 onwards, there is no trace of any interest payment either up to a half sentence in the Court of Auditors Reporst or budget laws. In 1990 the regime, which had previously been refined into socialism, collapsed and a change took place in Hungary. Shortly after the proclamation of the Republic of Hungary, the so-called bond lawsuits, which characterized the entire 1990s, began with their masses.

The fate of Royal Hungarian Bonds can be traced by analyzing the booked debt service and yields, so in this way the historical overview discussed above makes sense. A bond with a face value of 1000 originally offered annual yields of 40 golden forints. The introduction of the gold crown in 1892 as a new unit of account proved to be of a technical nature, because annual interests were still paid in gold forints until 1900. No particular problem arose afterwards either, as the calculation was still made in gold forints, then yields were converted and finally paid denominated in the new currency, gold crowns. Debt service was suspended during the First World War, however it was relaunched first towards domestic bondholders. Although the post-war hyperinflation in Hungary lasted until the introduction of the pengő and the acquisition of the relief credit, yields paid during this time stayed on the pre-war level. It directly followed from this practice that the interests received by Hungarian bondholders suffered a huge loss of value. The key moment can be captured in the complete restoration of debt service in 1926, when the fate and value of Royal Hungarian Bonds were sharply separated. From this year onwards - in accordance with the Innsbruck Convention- only 32% of the annual yields were paid to foreign bondholders increased by previously missed interests that were equally envisaged over 12 years. While the annual yields owed to foreign

[58] 1030/1949. Korm. rendelet [=1030/1949. Decree of the Government] 1-2. §, see Appendix on page 92. and 13110/1948. Korm. rendelet [=13110/1948. Decree of the Government] 1-2. §, see Appendix on page 91-92. and 4246/1949. Minisztertanácsi Rendelet [=4246/1949. Decree of the Council of Ministers] 1. § and 6. §, see Appendix on page 93.

bondholders were fully calculated in US gold dollars in line with the rules of the Peace Treaty of Trianon, the Hungarian governments used the inflated paper crown as a basis towards domestic bondholders. This practice constituted violation of the Peace Treaty resulting in a huge drop in the value and yields of Royal Hungarian Bonds held by domestic investors. The debt service continued along these lines until 1940. Annual yields of foreigners only decreased when the impact of the Great Depression spread to Europe, as the value of the US dollar decreased. After 1940, no yields were paid on Royal Hungarian Bonds at all, so the overview of debt service ends in that year.[59]

III.2. Legal solution

Contrary to expectations after the change of regime, the Hungarian State did not want to deal with the issue of bonds, continuing its previous communist practice. The XXV. Act of Parliament of 1991 provided for the partial reparation of damage caused by the State to the property of citizens during communism and socialism. The drafting of the so-called Compensation Act was necessary in view of the ongoing EU accession negotiations, but it seemed to be not very satisfactory among the citizens. The Act of Parliament affected only a narrow circle of the society. Moreover, it remained silent concerning the issue of bonds at all, which remained unserved since 1940. Lawsuits against the State of Hungary for unpaid interests and actions for damages arising from taking away bonds were filed with great zeal and hope in the 1990s. The plaintiffs' masses, in view of the decades-long period passed, were mostly descendants of former foreign and domestic bondholders and those who had acquired such bonds in the meantime based on expectations or for aesthetic beauty represented by the old

[59] Innsbrucki Egyezmény, 1923. [=Innsbruck Convention of 1923]
Rendelet a háború előtti magyar államadósságok jövőbeni kezelése tárgyában (Külügyi Közlöny, 1926. június 5. VI. évfolyam, 4. szám 15-16. oldalak) [=Decree on the future management of pre-war Hungarian public debt (Foreign Affairs Gazette, 5 June 1926 VI. grade, number 4. page 15-16.], see Appendix on page 78-79. and Yields of a 1000 gold forints denomination, see Appendix on page 67-69. and Trianoni békeszerződés és az azt becikkelyező 1921. évi XXXIII. törvénycikk [=Peace Treay of Trianon and the XXXIII. Hungarian Act of Parliament in 1921 implementing it], Part IX., Financial Clauses, Article 186. and Annex, see Appendix on page 76-78. and Court of Auditors Reports, see Appendix on page 59-63.

securities. A number of problems arose during the litigations, which made it difficult to prove the allegations in particular. First of all, most of the judges practicing in the 1990s had never encountered such bonds in their lifetime. Furthermore, in many cases only the temporary receipts[60] issued to replace bonds lost and destroyed after 1946 were available, from which it was impossible to get familiar with the terms and conditions of the given bond. Aggravated by the lack of literature available on these bonds, both the plaintiffs and the judges were in a difficult and incompetent position. The lack of relevant literature is obviously due to the censorship of the previous regime, as it was not even allowed and advisable to talk about these cases. In contrast, the State and its representatives occupied very convenient defendant positions. They operated with the same tactics in virtually every bond case without exception relying on defensive denial claiming, from one hand that the securities in question have lost their value due to hyperinflation in 1946[61] on the other hand the claims embodied in the lack of interest payments have expired due to lapse of time. In principle, these cases could not even arise in the surrounding Successor States, since according to the last amendment to the Innsbruck Convention - which everyone except Hungary signed - the claims arising from Royal Hungarian Bonds ceased in the 1970s. Furthermore, Hungary specifically refused to maximize the maturity of Royal Hungarian Bonds at 50 years, as this would have been accompanied by a gradual but 70% valorization. It directly follows from these facts that the claims arising from Royal Hungarian Bonds could only be asserted against Hungary, since these securities still have no expiration date as far as Hungary is concerned.[62]

In line with the Certificate of deposit presented in the Appendix, bondholder Sándor Hegedüs, was deprived of a temporary receipt replacing one piece of Royal Hungarian Bond in 1964 which belonged to the series issued in 1881. The deposit certificate received in return of the temporary receipt at the time of transfer contains all relevant features by which the bond can be identified. On the basis of the available

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[60] These temporary receipts only contained some basic information about the security given, eg. denomination and face value, existence of CC stamp on it, but nothing about the terms and conditions.

[61] The following sources were always invoked: 9000/1946. M.E. rendelet [=9000/1946. Decree of the Prime Minister] and 8640/1946. M.E. rendelet [=8640/1946. Decree of the Prime Minister], see Appendix on page 86-87.

[62] Állami Zárszámadás 1930-31, Jelentés az 1930-31. évi zárszámadásról 27-29 oldalak [=Court of Auditors Report for the years 1930-31, Report on the final accounts for the year 1930-31 page 27-29.], see Appendix on page 85-86.

information and after investigating the Court of Auditors Reports, it can be stated that a bond with a nominal value of 10.000 gold forints offering 4% annual interest could only be a Royal Hungarian Bond issued in 1881. The Ministry of Finance perfectly reflects previous and current attitude of the State refusing debt service based on allegations, that Royal Hungarian Bonds lost their value and claims are expired. The inflation of the pengő in 1946 they refer to is a fact and beyond any dispute. Such banknotes were so worthless, that they were swept away from the streets and people rolled cigarettes out of them. At this point, we need to raise the following questions: Did the depreciation of pengő lead to the depreciation of bonds? Are these two phenomenon related to each other at all? Answering these questions along with my research question governing the Thesis outlined in the Introduction leads to a different response from the prevailing considerations.[63]

III.2.1. Loss of value:

First of all, temporary receipts were issued solely to replace government bonds in 1946 which in itself implies an obligation from the side of the State. In addition to this, due to the terms and conditions, honouring Royal Hungarian Bonds is imposed on the Hungarian Government.[64]

The examination of the issue begins with the relationship between international and domestic law. Generally, an international treaty prevails over domestic law in all cases, which means that domestic law must not be in conflict with the content of the international treaty from the outset. In addition to this, practices contrary to the content of an international treaty are not allowed to be pursued. As regards international legal sources governing Royal Hungarian Bonds, we are talking about Trianon and Paris Peace Treaty, Innsbruck Convention and subsequent additions. It has often been

[63] Deposit certificate, see Appendix on page 64. and Court of Auditors Reports, see Appendix on page 59-63. and citation 54.
[64] Royal Hungarian Bond, see Appendix on page 52-55. and Jelentés az 1946-47-es költségvetésről [=Report on the Budget for the years 1946-47, Hungary], see Appendix on page 87-88.

suggested that the Peace Treaty of Trianon is old, on the other hand, not even applied and of no practical significance. There is also a view that the Peace Treaty of Trianon was overridden by the Paris Peace Treaty and the latter prevails. As I do not wish to conduct a lengthy debate on this subject, I merely express my own point of view, due to which the two Peace Treaties are independent of each other and differ in content as well as subject matter, and that both are applicable for certain cases to this day. Just to give an example, keeping the Peace Treaty of Trianon in force still ensures that current borders of Central-Europe are maintained. Furthermore, we could consider where the repeal of the source of law defining national borders would lead. Instead, I would like to choose a much more indisputable way of arguing by drawing attention to the pure fact, that the Hungarian Acts of Parliament implementing both Peace Treaties are still in force with unchanged content concerning Royal Hungarian Bonds. In practice, this means that the provisions of these Acts of Parliament are still applicable today even in legal relationships of private law. The mere fact that a national Act of Parliament was enacted a long time ago is not an escape here either, as for instance Code Civil came into force in Napoleonic times and it still governs french private law though. Taking all these facts into account, in my firm opinion, the above-mentioned Hungarian sources of law used for implementation the content of multilateral international treaties are still applicable to Royal Hungarian Bonds, and an argument can be formed relying on them. It is even less debatable that Hungary has declared its adherence to the provisions of the Peace Treaty of Trianon on several occasions. Furthermore, honouring Royal Hungarian Bonds was carried out without interruption until the beginning of WWII. After the war, the debt service was suspended, but the claims arising from Royal Hungarian Bonds were acknowledged as a debt of the State. Similarly, counting in the inflationary pengő was forbidden until the introduction of the forint on the 1st of August, 1946. If we take a look at the Report on the Budget of 1947-48 it shows up right away, that the nominal value of acknowledged Royal Hungarian Bonds was expressed in the original gold forints denomination and the value for 1947-48 was expressed in the new unit of account, the forint. We also see that the sum of face values expressed in the new forint was extremely huge. How is it then? The institutions and representatives acting on behalf of the Hungarian State claim, that the devaluation of the pengő has also dragged Royal Hungarian Bonds making them loose their value. How is it possible, that a security loses its value in 1946 and is highly valued a year or two later by Hungary? It makes no sence.[65]

Based on these facts, I strongly believe, that Royal Hungarian Bonds have not lost their value. It also necessarily follows from the foregoing that, on one hand, the inflation of pengő did not affect value of Royal Hungarian Bonds and, on the other hand, the depreciation of pengő is not equal to the depreciation of a claim expressed in a particular security. Although it took the Supreme Court of Hungary a whole decade to form a universal consideration about the issue in question, in a verdict proclaimed at the very end of the so-called bond lawsuits, the highest judicial forum has finally dispelled the doubts. Pursuant to the decision of 2000, it was established that since the introduction of the pengő in 1925 claims arising from a given bond has been paid by the Hungarian State –after applying the appropriate calculation and conversion methods- in pengő. Moreover, the fact that a bond has been registered and overstamped under different laws does not mean at all, that the claim contained in it has been converted into a claim denominated in pengő. According to the Court, these findings should be interpreted as meaning that, although it has become impossible to honor debt in pengő due to inflation, payments must still be carried out in the currency used at the original face value. The significance of the decision can be seen in the fact that it –along with justification and findigs- binds lower courts in the future, however this was unfortunately a thin consolation for those who have already lost lawsuits in the 1990s.[66]

The devaluation of Royal Hungarian Bonds emphasized by Hungary is refuted by another fact, that I also would like to draw attention to. Years after the hyperinflation and introduction of forint, Royal Hungarian Bonds without a CC stamp were declared

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[65] Trianoni békeszerződés és az azt becikkelyező 1921. évi XXXIII. törvénycikk [=Peace Treay of Trianon and the XXXIII. Hungarian Act of Parliament in 1921 implementing it], see Appendix on page 76-78. and Innsbrucki Egyezmény, 1923. [=Innsbruck Convention of 1923], Rendelet a háború előtti magyar államadósságok jövőbeni kezelése tárgyában (Külügyi Közlöny, 1926. június 5. VI. évfolyam, 4. szám 15-16. oldalak) [=Decree on the future management of pre-war Hungarian public debt (Foreign Affairs Gazette, 5 June 1926 VI. grade, number 4. page 15-16.], see Appendix on page 78-79. and 1931. évi XI. törvénycikk [=XI. Act of Parliament in 1931] Article 2., points 1-2, see Appendix on page 84-85. and 670/1946. M.E. rendelet [=670/1946. Decree of the Prime Minister] 1-2. §, see Appendix on page 86. and 9000/1946. M.E. rendelet [=9000/1946. Decree of the Prime Minister] 7. §, see Appendix on page 86-87. and 8640/1946. M.E. rendelet [=8640/1946. Decree of the Prime Minister] 1. §, see Appendix on page 87. and Jelentés az 1947-48-as költségvetésről [=Report on the Budget for the years of 1947-48, Hungary], see Appendix on page 88-89.

[66] 325/2000. Verdict of the Supreme Court of Hungary, see Appendix on page 95-96.

worthless in 1949. It follows from this provision in itself that pieces bearing a CC stamp signifying authority of Caisse Commune and placement abroad still represented value at that time.[67] Furthermore, no legislation on these securities was subsequently enacted, the state party simply refused to pay interests and such attitude is being represented by Hungarian governments after the change of regime in 1990 and until today.

III.2.2. Expiry of claims:

Expiry means that a right ceases to be enforceable before court as a result of lapse of time, which is often called limitation period. When it comes to bonds, this can be interpreted within two aspects: the expiry of principal and the expiry of the interests (coupons) dependable thereon.

It is relatively easy to assess contractual claims arising from coupons of Royal Hungarian Bonds. As regards principal, these securities except series of 1893 have no maturity (i.e. they have infinite lifetime), which is supported by the lack of expiry stipulation from one hand among provisions of bonds, on the other hand in the Acts of Parliament constituting grounds for issuances. From this statement, it necessarily follows that, in theory, we can only talk about the expiration of claims arising from overdue coupons. With regard to limitation, Hungarian law has been unbroken and completely uniform since 1881 as the rudimentary auxiliary rule of expiry and the three subsequent Acts of Parliament regulating Hungarian private law provides for no substantive change. Accordingly, the limitation period begins when the coupon becomes due and from maturity, the bondholder has five years to raise a claim for payment. If the bondholder fails to do so within the limitation period, he/she looses his/her opportunity to enforce such claims later. In 1987 the barrier to both of the litigation against Hungary and the demand for interests arising from Royal Hungarian

[67] 1030/1949. Korm. rendelet [=1030/1949. Decree of the Government] 1-2. § and Annex, see Appendix on page 92.

Bonds was removed, so that the expiration of coupons can be interpreted only from first of January, 1988.[68]

It creates a completely different legal situation if a Royal Hungarian Bond or the temporary receipt replacing it was taken away from the owner. In this case we are talking about a claim to property, which has also been uniformly regulated by the Hungarian Civil Codes since 1928. In line with the relevant provisions of those Acts of Parliament, property claims do not expire. This means that the bondholder, or his/her successor after his/her death, can reclaim the bond or the temporary receipt issued in its place without time limit. In case of claim to property, the expiration of the coupons provided by Royal Hungarian Bonds are subject to a completely different assessment. First of all, we know that Hungary has not paid interests since 1939. We also know, that debt service was suspended from 1945 until de facto refusal of state party in 1949. According to the Paris Peace Treaty and the Hungarian Act of Parliament implementing it, claims arising from Royal Hungarian Bonds did not expire between 1939 and 1947. Moreover, Royal Hungarian Bonds were not honoured until today. As a claim to property precedes a claim arising from the obligation to pay interests, the expiry of coupons is excluded. This finding is also justified by the fact that the owner is unable to enforce his/her claim for an excusable reason, as he/she does not hold either the bond or the temporary receipt replacing it. In my opinion, it follows directly from the verdicts of the Courts just mentioned, that an owner, whose piece of Royal Hungarian Bond or the

[68] Royal Hungarian Bond, see Appendix on page 52-55. and 1880. évi VIII. törvénycikk [=VIII. Act of Parliament in 1880] 1. §, see Appendix on page 70. and 1881. évi XI. törvénycikk [=XI. Act of Parliament in 1881] 1. §, see Appendix on page 70. and 1881. évi XXXII. törvénycikk [=XXXII. Act of Parliament in 1881] 1. §, see Appendix on page 71. and 1887. évi XXXII. törvénycikk [=XXXII. Act of Parliament in 1887] 1. §, see Appendix on page 71-72. and 1888. évi VI. törvénycikk [=VI. Act of Parliament in 1888] 4. §, see Appendix on page 72. and 1892. évi XXI. törvénycikk [=XXI. Act of Parliament in 1892] 1. § and 7-8. §, see Appendix on page 72-73. and Jelentése a magyar királyi pénzügyministernek a […] 1892. évi XXI. törvénycikk végrehajtásáról (2. oldal) [=Report of the Royal Hungarian Minister of Finance on the implementation of XXI. Act of Parliament in 1892 (page 2.)] see Appendix on page 74. and 1881. évi XXXIII. törvénycikk [=XXXIII. Act of Parliament in 1881] 38. § and 40. §, see Appendix on page 71. and 1928. évi magánjogi törvényjavaslat, MAGYARORSZÁG MAGÁNJOGI TÖRVÉNYKÖNYVE [=private law bill of 1928, Code Civil of Hungary] 1287. §, 1290. § see Appendix on page 83-84. and 1959. évi IV. törvény [=IV. Act of Parliament in 1959] 324-325. § and 326. § (1), see Appendix on page 93-94. and 2013. évi V. törvény [=V. Act of Parliament in 2013] 6:22-6:23. § and 6:24. § (3), see Appendix on page 97-98. and 86/1987. MT. Rendelet [=86. Decree of the Council of Ministers] 1-2. § and Annex, see Appendix on page 94-95. and 325/2000. Verdict of the Supreme Court of Hungary, see Appendix on page 95-96. and 953/2003. Verdict of the Supreme Court of Hungary, see Appendix on page 96-97.

temporary receipt replacing it has been confiscated could claim for interest calculated from 1939 onwards.[69]

III.2.3. Valuation

In order to determine the value of Royal Hungarian Bonds from a financial point of view, as well as to indicate the value of a legal claim arising from these securities, we must first of all clarify the value of the capital and the resulting interests. The easiest way to do this is to calculate in fine gold as a unit, since the expression in different currencies used today is misleading due to the constant change in their interdependent value. The valuation by calculating in fine gold leads to a correct result, because these bonds provide coupons in gold. Moreover, their capital along with annual interests are expressed in different gold currencies proportional to each other based on gold content. In addition to this, Peace Treaty of Trianon continued and institutionalized this method of calculation by fixing the bases of annual coupons and comparing three gold currencies.[70]

The weight and gold content of a 4 gold forints coin:[71]

$$Total\ weight\colon\ multiplier \times pound = \frac{1}{155} \times 500 grams = 3{,}226\ grams$$

$$Gold\ content\colon\ total\ weight \times multiplier = 3{,}226 \times 0{,}9 = 2{,}9\ grams$$

[69] 1928. évi magánjogi törvényjavaslat, MAGYARORSZÁG MAGÁNJOGI TÖRVÉNYKÖNYVE [=private law bill of 1928, Code Civil of Hungary] 1284. § and 1292. §, see Appendix on page 83-84. and 1959. évi IV. törvény [=IV. Act of Parliament in 1959] 115. § and 326. § (2), see Appendix on page 93-94. and 2013. évi V. törvény [=V. Act of Parliament in 2013] 5:35. § and 6:24. § (1), see Appendix on page 97-98. and Jelentés az 1947-48-as költségvetésről [=Report on the Budget for the years of 1947-48, Hungary], see Appendix on page 88-89. and 670/1946. M.E. rendelet [=670/1946. Decree of the Prime Minister] 2. §, see Appendix on page 86. and Párizsi Békeszerződés és az azt becikkelyező 1947. évi XVIII. törvény [=Paris Peace Treaty and the XVIII. Hungarian Act of Parliament in 1947 implementing it] Articles 31. and 37., Annex V. point B, see Appendix on page 89-91. and 13110/1948. Korm. rendelet [=13110/1948. Decree of the Government] 1-2. §, see Appendix on page 91-92.

[70] Trianoni békeszerződés és az azt becikkelyező 1921. évi XXXIII. törvénycikk [=Peace Treay of Trianon and the XXXIII. Hungarian Act of Parliament in 1921 implementing it], Part IX. Financial Clauses, Article 186. and Annex, see Appendix on page 76-78.

[71] 1869. évi XII. törvénycikk [=XII. Act of Parliament in 1869] 1-2§, see Appendix on page 69.

While determining the gold content of the principal, I used a 1000 gold forints denomination as a basis:

$$Gold\ content\ of\ 1000\ gold\ forints:$$
$$number\ of\ 4\ gold\ forints\ coins \times gold\ content\ of\ a\ 4\ gold\ forints\ coin$$
$$= 250 \times 2,9 = 725\ grams$$

After doing that, the annual interest and half year's coupons can be easily determined, as follows:[72]

$$One\ year's\ interest\ in\ gold:\ gold\ content\ of\ principal \times interest\ rate$$
$$= 725 \times 0,04 = 29\ grams$$
$$Half\ year's\ interest\ in\ gold:\ gold\ content\ of\ principal \times interest\ rate/2$$
$$= 725 \times (0,04/2) = 14,\ 5\ grams$$

III.2.3.1. Value of legal claims

In the scope of determining the value of a legal claim arising from a 1000 gold forints denomination, I take the two cases outlined in Chapter III. and IV. as a basis. In the first case, the holder of the bond or the temporary receipt can claim the amount of the coupons of the last 5 years increased by late interest. On the other hand, in the second –extreme- case, when the bond or the temporary receipt was taken away, the owner (successor) could claim the amount of the unpaid coupons increased by late interest from January 1941 until today. Coupons maturing in the future must be ignored in both calculations, as they cannotd be enforced yet due to their non-expiration. Furthermore, both calculations are based on exactly the same methodology, in the second case we simply have to go back further with the coupons that remained unpaid.

Above all, it is worth interpreting the terms and conditions of Royal Hungarian Bonds. Accordingly, interest claims arise twice a year (in January and July), the due dates of which are separate from each other.[73] The obligee, which in this case is the

[72] Royal Hungarian Bond, see Appendix on page 52-55.
[73] Royal Hungarian Bond, see Appendix on page 52-55.

Hungarian State, becomes late on the day when the current matured coupon is not paid. As already mentioned, an unpaid coupon is subject to late interest from the day of the delay, which must be cumulated. In practice, this means that each coupon becomes principal just for the sake of calculation, to which the amounts increased by late interests must be added separately. After doing this, we have to add up the increased values of each coupon and thus get the final sum.[74]

Value of a legal claim arising from 5 years unpaid coupons is then calculated from 30 June, 2022 backwards as follows:[75]

$$\sum_{i=1}^{k=10} C_{\left(July\ 1,\ 2017\right)} + C_{(July\ 1,\ 2017)} \times \frac{r}{2}(2017sh) + C_{(July\ 1,\ 2017)} \times \frac{r}{2}(2018fh)$$

$$+C_{(July\ 1,\ 2017)} \times \frac{r}{2}(2018sh) + C_{(July,\ 2017)} \times \frac{r}{2}(2019fh) + C_{\left(July\ 1,\ 2017\right)} \times \frac{r}{2}(2019sh)$$

$$+C_{\left(July\ 1,\ 2017\right)} \times \frac{r}{2}(2020fh) + C_{\left(July\ 1,\ 2017\right)} \times \frac{r}{2}(2020sh) + C_{\left(July\ 1,\ 2017\right)} \times \frac{r}{2}(2021fh)$$

$$+C_{\left(July\ 1,\ 2017\right)} \times \frac{r}{2}(2021sh) + C_{\left(July\ 1,\ 2017\right)} \times \frac{r}{2}(2022fh) + C_{\left(Jan.\ 1,\ 2018\right)}$$

$$+C_{\left(Jan.\ 1,\ 2018\right)} \times \frac{r}{2}(2018fh) + C_{\left(Jan.\ 1,\ 2018\right)} \times \frac{r}{2}(2018sh) + C_{\left(Jan.\ 1,\ 2018\right)} \times \frac{r}{2}(2019fh)$$

$$+C_{\left(Jan.\ 1,\ 2018\right)} \times \frac{r}{2}(2019sh) + C_{\left(Jan.\ 1,\ 2018\right)} \times \frac{r}{2}(2020fh) + C_{\left(Jan.\ 1,\ 2018\right)} \times \frac{r}{2}(2020sh)$$

$$+C_{\left(Jan.\ 1,\ 2018\right)} \times \frac{r}{2}(2021fh) + C_{\left(Jan.\ 1,\ 2018\right)} \times \frac{r}{2}(2021sh) + C_{\left(Jan.\ 1,\ 2018\right)} \times \frac{r}{2}(2022fh)$$

$$+C_{\left(July\ 1,\ 2018\right)} + C_{\left(July\ 1,\ 2018\right)} + \frac{r}{2}(2018sh) + C_{\left(July\ 1,\ 2018\right)} \times \frac{r}{2}(2019fh)$$

$$+C_{\left(July\ 1,\ 2018\right)} \times \frac{r}{2}(2019sh) + C_{\left(July\ 1,\ 2018\right)} \times \frac{r}{2}(2020fh) + C_{\left(July\ 1,\ 2018\right)} \times \frac{r}{2}(2020sh)$$

[74] Late interest in Hungary, see Appendix on page 66-67.
[75] Late interest in Hungary, see Appendix on page 66-67.

$$+C_{\left(July\ 1,\ 2018\right)}\times\frac{r}{2}\left(2021fh\right)+C_{\left(July\ 1,\ 2018\right)}\times\frac{r}{2}\left(2021sh\right)+C_{\left(July\ 1,\ 2018\right)}\times\frac{r}{2}\left(2022fh\right)$$

$$+C_{\left(Jan.\ 1,\ 2019\right)}+C_{\left(Jan.\ 1,\ 2019\right)}\times\frac{r}{2}\left(2019fh\right)+C_{\left(Jan.\ 1,\ 2019\right)}\times\frac{r}{2}\left(2019sh\right)$$

$$+C_{\left(Jan.\ 1,\ 2019\right)}\times\frac{r}{2}\left(2020fh\right)+C_{\left(Jan.\ 1,\ 2019\right)}\times\frac{r}{2}\left(2020sh\right)+C_{\left(Jan.\ 1,\ 2019\right)}\times\frac{r}{2}\left(2021fh\right)$$

$$+C_{\left(Jan.\ 1,\ 2019\right)}\times\frac{r}{2}\left(2021sh\right)+C_{\left(Jan.\ 1,\ 2019\right)}\times\frac{r}{2}\left(2022fh\right)+C_{\left(July\ 1,\ 2019\right)}$$

$$+C_{\left(July\ 1,\ 2019\right)}\times\frac{r}{2}\left(2019sh\right)+C_{\left(July\ 1,\ 2019\right)}\times\frac{r}{2}\left(2020fh\right)+C_{\left(July\ 1,\ 2019\right)}\times\frac{r}{2}\left(2020sh\right)$$

$$+C_{\left(July\ 1,\ 2019\right)}\times\frac{r}{2}\left(2021fh\right)+C_{\left(July\ 1,\ 2019\right)}\times\frac{r}{2}\left(2021sh\right)+C_{\left(July\ 1,\ 2019\right)}\times\frac{r}{2}\left(2022fh\right)$$

$$+C_{\left(Jan.\ 1,\ 2020\right)}+C_{\left(Jan.\ 1,\ 2020\right)}\times\frac{r}{2}\left(2020fh\right)+C_{\left(Jan.\ 1,\ 2020\right)}\times\frac{r}{2}\left(2020sh\right)$$

$$+C_{\left(Jan.\ 1,\ 2020\right)}\times\frac{r}{2}\left(2021fh\right)+C_{\left(Jan.\ 1,\ 2020\right)}\times\frac{r}{2}\left(2021sh\right)+C_{\left(Jan.\ 1,\ 2020\right)}\times\frac{r}{2}\left(2022fh\right)$$

$$+C_{\left(July\ 1,\ 2020\right)}+C_{\left(July\ 1,\ 2020\right)}\times\frac{r}{2}\left(2020sh\right)+C_{\left(July\ 1,\ 2020\right)}\times\frac{r}{2}\left(2021fh\right)$$

$$+C_{\left(July\ 1,\ 2020\right)}\times\frac{r}{2}\left(2021sh\right)+C_{\left(July\ 1,\ 2020\right)}\times\frac{r}{2}\left(2022fh\right)+C_{\left(Jan.\ 1,\ 2021\right)}$$

$$+C_{\left(Jan.\ 1,\ 2021\right)}\times\frac{r}{2}\left(2021fh\right)+C_{\left(Jan.\ 1,\ 2021\right)}\times\frac{r}{2}\left(2021sh\right)+C_{\left(Jan.\ 1,\ 2021\right)}\times\frac{r}{2}\left(2022fh\right)$$

$$+C_{\left(July\ 1,\ 2021\right)}+C_{\left(July\ 1,\ 2021\right)}\times\frac{r}{2}\left(2021sf\right)+C_{\left(July\ 1,\ 2021\right)}\times\frac{r}{2}\left(2022fh\right)+C_{\left(Jan\ 1,\ 2022\right)}$$

$$+C_{\left(Jan\ 1,\ 2022\right)}\times\frac{r}{2}\left(2022fh\right)=14,5+14,5\times0,0045\times7+14,5\times0,00375+14,5\times0,003$$

$$+14,5\times0,0012+14,5+14,5\times0,0045\times6+14,5\times0,00375+14,5\times0,003+14,5\times0,0012+14,5$$

$$+14,5\times0,0045\times5+14,5\times0,00375+14,5\times0,003+14,5\times0,0012+14,5+14,5\times0,0045\times4$$

$$+14,5\times0,00375+14,5\times0,003+14,5\times0,0012+14,5+14,5\times0,0045\times3+14,5\times0,00375$$

$$+14,5\times0,003+14,5\times0,0012+14,5+14,5\times0,0045\times2+14,5\times0,00375+14,5\times0,003+14,5\times0,0012$$

$$+14,5+14,5\times0,0045+14,5\times0,00375+14,5\times0,003+14,5\times0,0012+14,5+14,5\times0,0045+14,5\times0,003$$

$$+14,5\times0,0012+14,5+14,5\times0,0045+14,5\times0,0012+14,5+14,5\times0,0012=147,86\ grams$$

$$where:$$
$$-k = number\ of\ half\ years$$
$$-i = oldest\ half\ a\ year$$
$$-C = coupon$$
$$-fh = first\ half$$
$$-sh = \text{second}\ half$$
$$-r = applicable\ late\ interest\ rate$$

Since the amount and method of calculation of the late interests have changed relatively often in Hungary, I therefore describe only the methodology of the second case instead of the full derivation. Value of a legal claim arising from unpaid coupons counted from January 1941 until 30 June, 2022 is then calculated as follows:[76]

$$\sum_{i=1}^{k} C_{(Jan.\ 1941)} + C_{(Jan.\ 1941)} \times \frac{r}{2}(1941fh) + \ldots + C_{(Jan.\ 1941)} \times \frac{r}{2}(2022fh)$$
$$+C_{(July\ 1941)} + C_{(July\ 1941)} \times \frac{r}{2}(1941sh) + C_{(July\ 1941)} \times \frac{r}{2}(1942fh) + \ldots$$
$$+C_{(July\ 1941)} \times \frac{r}{2}(2022fh) + C_n + C_n \times \frac{r}{2}(applicable\ late\ interest) + \ldots + C_n \times \frac{r}{2}(2022fh)$$
$$where:$$
$$-k = number\ of\ half\ years$$
$$-i = oldest\ half\ a\ year$$
$$-C = coupon$$
$$-fh = first\ half$$
$$-sh = \text{second}\ half$$
$$-r = applicable\ late\ interest\ rate$$

III.2.3.2. Value of Royal Hungarian Bonds

Determining the value of Royal Hungarian Bonds from a financial point of view requires a completely different approach. For the calculation, similarly to the above, I use a bond with a face value of 1000 gold forints as a basis. Since these securities never expire and provides its owner with coupons forever, the illustration of the problem is

[76] Late interest in Hungary, see Appendix on page 66-67.

also different from that of traditional coupon bonds or zero coupon bonds. In this case, we have to completely ignore the principal and focus exclusively on the semi-annual coupons. According to Varian (2011, 224-225) the reasonable price of a 1000 gold forints denomination is in theory the sum of the present values of all future yields as follows:

$$P = PV\sum\nolimits_{i=1}^{k} \frac{C}{1+r/2} + \frac{C}{(1+r/2)^2} + \ldots$$

$where$:

$-P = price$

$-PV = present\ value$

$-k = number\ of\ coupons$

$-i = starting\ coupon$

$-C = semi\ annual\ coupon$

$-r = market\ rate$

At first sight we would think that the result would be infinity, but this is not the case. According to Varian (2011, 224-225) the further derivation is as follows:

$$V = PV = \frac{1}{(1+r/2)} \times [C + \frac{C}{1+r/2} + \frac{C}{(1+r/2)^2} + \ldots]$$

$$V = PV = \frac{1}{1+r/2} \times [C + PV] = \frac{C}{r/2} = \frac{14{,}5}{r/2}$$

As we can see, the present value of a 1000 gold forints denomination that promises to pay 14,5 grams of fine gold in every half a year forever is stongly influenced by the market rate. The specific calculation would be quite difficult, since the market rate „r” is not constant over time. However, it can be stated that when the market rate increases, the present value of the bond decreases and vice versa. I think it is important to note that the value represented by such security may differ between investors. If we assume that investors simply prefer more over less and we do not know the utility function, or if the utility function is U(x) = x the result above is correct and same for everyone. On the other hand, beyond varying market rate the difference between utility functions of agents also influences the value. In addition to this, level of patience and intertemporal smooth of consumption along with consumption plans also influence valuation. (Varian 2011)

In my opinion, the available information also greatly influences the value of the bond for a given investor. Suppose for example, that the agent buys the 1000 gold forints denomination attached to the Appendix in 1887 and accurately foresees the fate of the bond. In such case the security represents a completely different value for that agent, as the period of yields becomes finite and ends in July, 1940. On the other hand, if we want to determine the value of a piece of Royal Hungarian Bond from today, it will obviously be 0, since Hungary does not serve these debt instruments.

As we can see, the assessment of value represented by Royal Hungarian Bonds is completely different from financial and legal perspective. While the former category is based on an endless series of coupons given exclusion of information, the value of legal claims arising from these securities can only be interpreted in a finite time interval. The reason for this can be grabbed by the fact that basically only expired claims can be enforced before court disregarding value of future coupons. An additional difference is that the calculation from financial aspect uses discount factor, whereas during the enforcement of matured coupons, the value increases by adding up late interests. (Varian 2011)

IV.0. Conclusion

First of all, as we see measures introduced in case of a default are colorful and wide-ranging. In addition to this, current incentives, domestic and international circumstances strongly influence State behavior. Assessing debt management, two main cases can be distinguished. When States act in a discretionary manner in the absence of applicable supranational rules, we encounter specific and mixed resolution structures that varies across countries. On the other hand, if an international treaty settles the issue of sovereign debt, we are mostly confronted with such conducts that are more or less in line with the governing rules and bondholder treatment is more uniform.

During the European wave of the Great Depression, which triggered a stock market crash, Germany, Austria, Czech-Slovakia and Hungary grabbed the opportunity to reduce debt by repurchasing securities on depressed price to the detriment of bondholders. The introduction of new currencies after WWI and their value relating to the old one also affected the position of States, albeit to varying degrees. In the absence of international provisions, countries where inflation has previously reached high levels and thus their currencies were depreciated have mostly avoided revaluation of claims arising from government securities. In contrast, the Czech example illustrates the positive effects of further voluntary service of public debt. As the confidence of domestic investors was maintained, the sound financial background of Czech-Slovakia provided room for more options in the future thus reaching a win-win case beneficial for both of bondholders and the State. On the other hand, countries that used inflation as a weapon against debtholders were later forced to turn to international markets for financial aid. As soon as an international treaty or pressure deprives or reduces the discretion of debtor States in whole or in part, we see different results in debt management. For instance, in the eye of a threat concerning trade restrictions Germany rather chose to make an exemption by honouring debt instruments of British citizens on a full scale, while other bondholders stuck outside.

It can also be stated that the relationship with international treaties was relatively different within the States investigated. While the Successor States treated holders of Royal Hungarian Bonds more or less in accordance with the Peace Treaties, Hungary violated all existing written sources of law. As Otto von Bismarck would say, Contracts are like girls and roses: they last as long as they last.

By answering my research question, I argue, that holders of Royal Hungarian Bonds or in possession of temporary receipts replacing them both allocated with a CC stamp can currently raise a claim against Hungary. Furthermore, if one could prove, that any of these documents have been deposited or seized, he or she could also enforce a claim. Given the different circumstances of the cases, there are basically two types of claims. The extent and manner of the claim is determined by the fact, whether the owner is currently in possession of the bond or the temporary receipt replacing it or has been deprived of its possession. Based on my argument presented in section III, the currently applying domestic five-year limitation period, combined with a principle of a Royal Hungarian Bond having infinite duration means in practise, that if someone sues Hungary today possessing the security or the temporary receipt replacing it, interest payments of previous 5 years and additional continuous debt service could be demanded by only relying on terms and conditions of the bonds. On the other hand, if –similar to the case of bondholder Sándor Hegedüs- either the bond or the temporary receipt was taken away from the owner in return of a deposit certificate, they could above all raise a claim for ownership. In my view, it necessarily follows from this claim that, since the coupons did not expire, they can be enforced back to 1940 depending on the circumstances of the particular case.

Of course, I am aware that my allegations may trigger unpredictable consequences as they look pretty bold at first glance. On the other hand, the successes of our litigation so far confirm in my notion, that the issue of Royal Hungarian Bonds has so far been systematically deceived. With my Thesis, I would like to encourage researchers to deal more with the cases of historical national bonds from several aspects, as we may make a discovery not only with spying of the future, but also by taking a review of the past.

V.0. Appendix

Limitation clause

The legal solution presented and the conclusion drawn from it in Chapter III. and IV. is only valid for Royal Hungarian Bonds and not necessarily applicable for other types of sovereign debt instruments. Blend of statements I made concerning Royal Hungarian Bonds is only a narrow simplified summary of my previous research findings and therefore cannot be considered complete and universal. The individual cases of bondholders may be different and should only be assessed after a thorough examination of the information and circumstances available.

4% ARANY-JÁRADÉK

1000 1000

Betű Litt. C.

Sz. Nr. 455.894

REICHS-STEMPEL-ABGABE 9 ZWEI VOM TAUSEND

50c% COMPLEMENT DE DROIT 17 PARIS 6 1896

TITRES ETRANGERS AU DESSUS DE 1000f LOI 1f.50 par Mille SEINE

A MAGYAR KORONA ORSZÁGAI.

4%-kal aranyban kamatozó

JÁRADÉKKÖLCSÖN.

Kibocsáttatott az 1887. XXXII. tv.-czikk alapján.

ÁLLAMADÓSSÁGI KÖTVÉNY

1000 forintról = 2500 frankról = 100 sterling fontról = 2025 német bir. ért. márkról.

A m. kir. pénzügyministerium elismeri, hogy ezen

EGYEZER FORINTRÓL ARANYBAN

szóló államadóssági kötvény a teljesen adómentes állósitott magyar járadékadósság részét képezi.

Az említett tőke után 4% évi kamat aranyban fizettetik minden év január 1-én és julius 1-én lejáró félévi részletekben.

Ezen kötvény birtokosa a kamatokat a lejárt szelvények beszolgáltatása mellett szabad választása szerint fölveheti Budapesten és Bécsben forintokban, az 1869. évi XII. törvényczikknek megfelelő aranypénzben, Párisban frankokban, Londonban sterling fontokban, Berlinben és M/m. Frankfurtban német birodalmi értékü márkokban, a következő értékarány szerint számítva: 10 arany forint egyenlő 25 frankkal = 1 sterling fonttal = $20\frac{35}{100}$ német birodalmi értékü márkkal.

E kötvény egy szelvényutalványnyal és tiz évre szóló kamatszelvényekkel van ellátva, melyeknek lejártával a szelvényutalvány bemutatójának új szelvényiv és szelvényutalvány fog kiadatni.

A járadékkötvények és az azokon lévő kamatszelvények minden fennálló bélyegilletéktől és adótól mentesek, és a teljes bélyegilleték- és adó-mentesség azok részére jövőre is biztosittatik.

Kelt Budapesten, 1888. évi január 1-én.

Tisza Kálmán m. k.

magyar kir. pénzügyminiszter.

Mallás Gusztáv

a m. kir. központi állampénztár h. igazgatója.

Ellenőrző aláírás:

Lovcsevich József

a m. kir. hitelszámvevőség főnöke.

Laky Kálmán

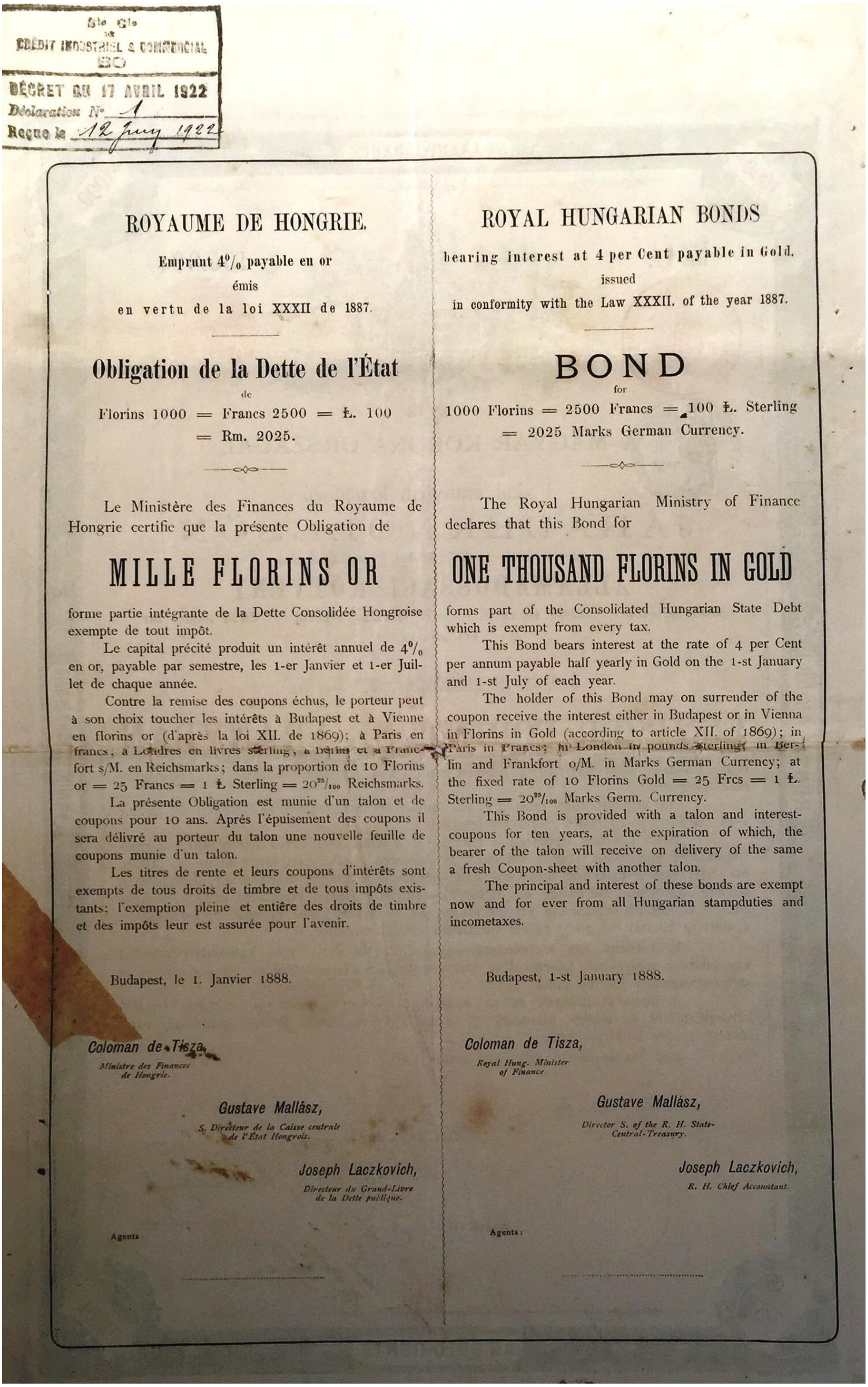
m. k. számtanácsos.

1000 1000

4% GOLD-RENTE

RENTES 4% OR

4% ANNUITYBOND IN GOLD



Ste Cie de Crédit Industriel & Commercial
BO
Décret du 17 Avril 1922
Déclaration No 1
Reçue le 12 juny 1922

ROYAUME DE HONGRIE.

Emprunt 4% payable en or
émis
en vertu de la loi XXXII de 1887.

Obligation de la Dette de l'État
de
Florins 1000 = Francs 2500 = Ł. 100
= Rm. 2025.

Le Ministère des Finances du Royaume de Hongrie certifie que la présente Obligation de

MILLE FLORINS OR

forme partie intégrante de la Dette Consolidée Hongroise exempte de tout impôt.

Le capital précité produit un intérêt annuel de 4% en or, payable par semestre, les 1-er Janvier et 1-er Juillet de chaque année.

Contre la remise des coupons échus, le porteur peut à son choix toucher les intérêts à Budapest et à Vienne en florins or (d'après la loi XII. de 1869); à Paris en francs, à Londres en livres sterling, à Berlin et à Francfort s/M. en Reichsmarks; dans la proportion de 10 Florins or = 25 Francs = 1 Ł Sterling = 20 25/100 Reichsmarks.

La présente Obligation est munie d'un talon et de coupons pour 10 ans. Aprés l'épuisement des coupons il sera délivré au porteur du talon une nouvelle feuille de coupons munie d'un talon.

Les titres de rente et leurs coupons d'intérêts sont exempts de tous droits de timbre et de tous impôts existants; l'exemption pleine et entière des droits de timbre et des impôts leur est assurée pour l'avenir.

Budapest, le 1. Janvier 1888.

Coloman de Tisza,
Ministre des Finances de Hongrie.

Gustave Mallász,
S. Directeur de la Caisse centrale de l'État Hongrois.

Joseph Laczkovich,
Directeur du Grand-Livre de la Dette publique.

Agents

ROYAL HUNGARIAN BONDS

bearing interest at 4 per Cent payable in Gold.
issued
in conformity with the Law XXXII. of the year 1887.

BOND
for
1000 Florins = 2500 Francs = 100 Ł. Sterling
= 2025 Marks German Currency.

The Royal Hungarian Ministry of Finance declares that this Bond for

ONE THOUSAND FLORINS IN GOLD

forms part of the Consolidated Hungarian State Debt which is exempt from every tax.

This Bond bears interest at the rate of 4 per Cent per annum payable half yearly in Gold on the 1-st January and 1-st July of each year.

The holder of this Bond may on surrender of the coupon receive the interest either in Budapest or in Vienna in Florins in Gold (according to article XII. of 1869); in Paris in Francs; in London in pounds sterling; in Berlin and Frankfort o/M. in Marks German Currency; at the fixed rate of 10 Florins Gold = 25 Frcs = 1 Ł. Sterling = 20 25/100 Marks Germ. Currency.

This Bond is provided with a talon and interest-coupons for ten years, at the expiration of which, the bearer of the talon will receive on delivery of the same a fresh Coupon-sheet with another talon.

The principal and interest of these bonds are exempt now and for ever from all Hungarian stampduties and incometaxes.

Budapest, 1-st January 1888.

Coloman de Tisza,
Royal Hung. Minister of Finance.

Gustave Mallász,
Director S. of the R. H. State-Central-Treasury.

Joseph Laczkovich,
R. H. Chief Accountant.

Agents:

KÖNIGREICH UNGARN.

4%-ige in Gold verzinsliche

RENTEN-ANLEIHE.

Ausgegeben auf Grund des Gesetz-Artikels XXXII vom Jahre 1887.

STAATSSCHULD-VERSCHREIBUNG

über

1000 Gulden = 2500 Francs = 100 Ł. Sterling = 2025 Mark D. R.-W.

Das königl. ung. Finanzministerium bestätigt, dass gegenwärtige Staatsschuld-Verschreibung über

EINTAUSEND GULDEN GOLD

einen Bestandtheil der von jeder Steuer freien ungarischen, consolidirten Rentenschuld bildet.

Auf das vorgenannte Capital entfallen 4% Zinsen für das Jahr in Gold, zahlbar in halbjährigen Raten, welche am 1. Jänner und 1. Juli jeden Jahres fällig werden.

Der Inhaber kann die Zinsen gegen Einlieferung der fälligen Zins-Coupons nach seiner Wahl erheben in Budapest und in Wien in Gulden Gold (nach dem G.-Art. XII v. J. 1869), in Paris in Francs, in London in Sterling, in Berlin und Frankfurt a/M. in Mark deutscher Reichswährung; im Werthverhältniss von 10 Gulden Gold = 25 Francs = 1 Ł. Sterling = $20^{25}/_{100}$ Mark deutscher Reichswährung.

Die Schuldverschreibung ist mit einem Talon und Zins-Coupons für 10 Jahre versehen, nach deren Ablauf dem Ueberbringer des Talons eine neue Serie von Zins-Coupons nebst Talon ausgehändigt wird.

Die Schuldverschreibungen sowie die an denselben befindlichen Zins-Coupons dieser Renten-Anleihe sind von allen bestehenden Stempeln, Gebühren und Steuern befreit, und wird denselben die vollkommene Stempel-Gebühren- und Steuerfreiheit auch für die Zukunft zugesichert.

Budapest, am 1. Jänner 1888.

Coloman von Tisza,
kön. ung. Finanzminister.

Gustav Mallász,
Director-Stellvertreter der kön. ung. Staats-Central-Cassa.

Joseph Laczkovich,
Vorstand der kön. ung. Credit-Buchhaltung.

Agenten

DIRECTION DER DISCONTO-GESELLSCHAFT.

Tonetti Goldschmidt

Kivonat

az 1887. évi XXXII. törvényczikkből.

1. §.

Felhatalmaztatik a pénzügyminister, hogy az állampénztárak készleteinek kiegészitésére 32 millió osztrák értékü forintot hitelmüvelet utján beszerezhessen.

Extrait

de la loi XXXII de 1887.

§. 1.

Le Ministre des Finances est autorisé à faire un emprunt de 32 millions de florins pour compléter les fonds disponibles des caisses d'Etat.

Extract

from the law XXXII of the year 1887.

§. 1.

The Minister of Finance is authorized to raise a loan of 32 million florins for the completion of the reserve funds of the Treasury.

Auszug

aus dem Gesetz-Artikel XXXII vom Jahre 1887.

§. 1.

Der Finanzminister wird ermächtigt zur Ergänzung der Kassabestände der Staatskassen 32 Millionen Gulden im Wege einer Credit-Operation zu beschaffen.

4%-kal kamatozó magyar királyi járadékkölcsön.

Kibocsáttatott az 1887. évi XXXII. törvényczikk alapján.

Kibocsátható mennyiség **30,000.000** forint.

A.	150.001-től	160.000-ig	100 forintos	=	1,000.000 forinttal.
B.	80.001-től	82.000-ig	500 »	=	1,000.000 »
C.	440.001-től	468.000-ig	1.000 »	=	28,000.000 »
					30,000.000 forint.

Emprunt 4% du Royaume de Hongrie payable en or,

emis en vertu de la loi XXXII de 1887.

Emission legale **75,000.000** Francs.

A.	Nr. 150.001 — 160.000	obligations à Francs	250	= Francs	2,500.000.
B.	Nr. 80.001 — 82.000	» » »	1.250	= »	2,500.000.
C.	Nr. 440.001 — 468.000	» » »	2.500	= »	70,000.000.
				Francs	75,000.000.

Royal Hungarian 4% Gold-Rentes.

Authorized by Law XXXII of the year 1887.

Authorized issue Ł. **3,000.000**.

A.	Nr. 150.001 — 160.000	Bonds of Ł.	10 each	= Ł.	100.000.
B.	Nr. 80.001 — 82.000	» » »	50 »	= »	100.000.
C.	Nr. 440.001 — 468.000	» » »	100 »	= »	2,800.000.
				Ł.	3,000.000.

Königlich ungarische 4% Goldrenten-Anleihe.

Ausgegeben auf Grund des Gesetz-Artikels XXXII vom Jahre 1887.

Gesetzlich können ausgegeben werden **30,000.000** Gulden = **60,750.000** Mark D. R.-W.

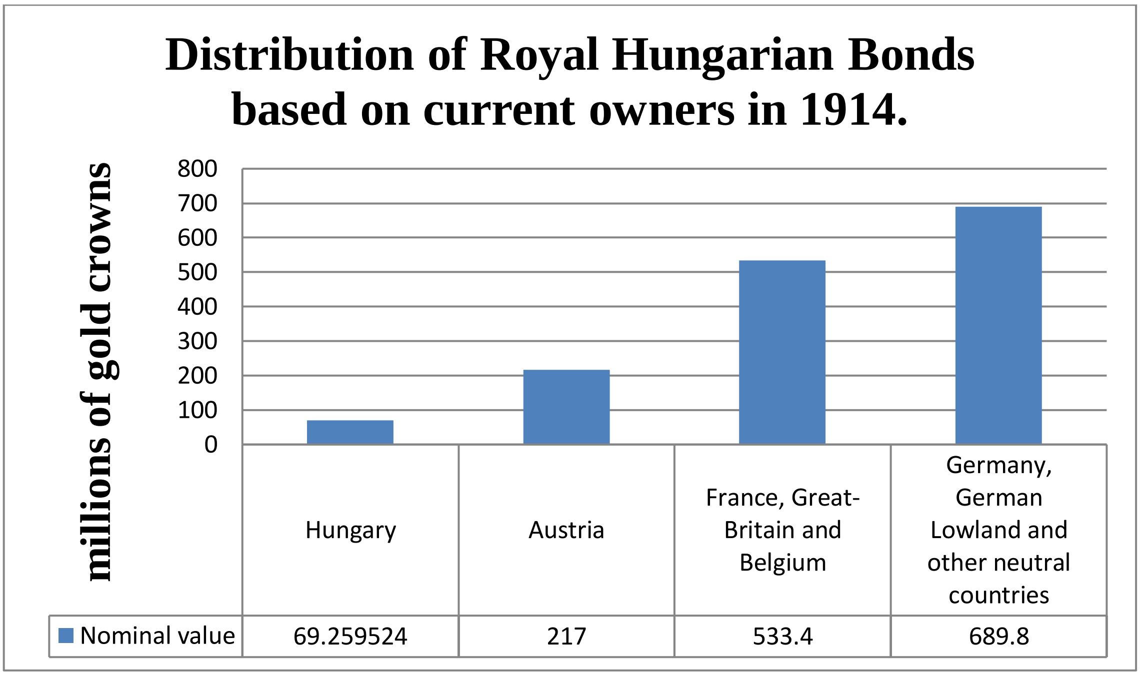
A.	Nr. 150.001 — 160.000	Staatsschuld-Verschreib. zu fl.	100 = M.	202.50	= fl. 1,000.000	= M. 2,025.000.
B.	Nr. 80.001 — 82.000	» » » »	500 = »	1.012.50	= » 1,000.000	= » 2,025.000.
C.	Nr. 440.001 — 468.000	» » » »	1.000 = »	2.025	= » 28,000.000	= » 56,700.000.
					fl. 30,000.000	= M. 60,750.000.

A gold coin of 4 forints = 10 francs:

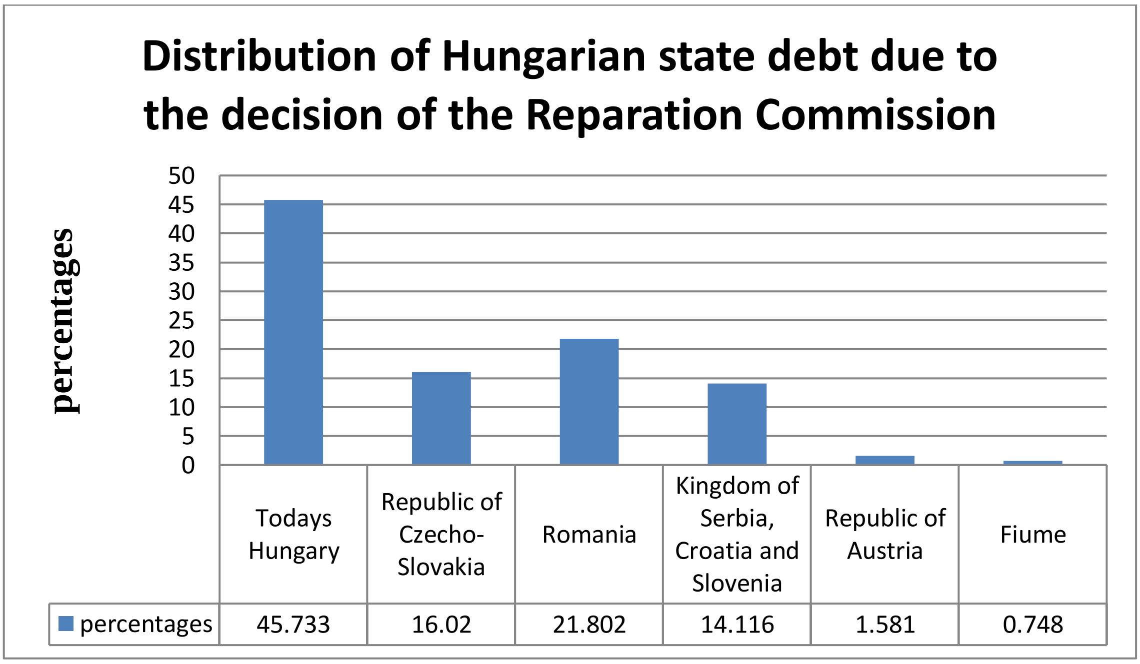
source: http://www.stephansnumismatic.eu/hir/ferencz-jozsef-regi-4-es-8-forintos-arany-penzermei

A gold coin of 8 forints = 20 francs:

source: http://www.stephansnumismatic.eu/hir/ferencz-jozsef-regi-4-es-8-forintos-arany-penzermei



source: The diagram is created based on the official data represented in „Állami Zárszámadás 1920-21." [=Court of Auditors Report for the years 1920-1921], page 138/138.



source: The diagram is created based on the official data represented in „A trianoni békeszerződés végrehajtása, Állami Zárszámadás 1924-25." [=Implementation of the Peace Treaty of Trianon, Court of Auditors Report for the years 1924-25], page 133.

An example for the Court of Auditors Report, where the Royal Hungarian Bond series are listed and accounted:

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11. melléklet: A számadási időszak végén fennállott adósságok csoportosítása természetük szerint.

Az adósságok fejezet- száma	tétel- száma		Külföldi adósság Ft	f	Belföldi adósság Ft	f	Összes adósság Ft	f
		I. Hosszúlejáratú adósságok.						
		a) **Országos adósságok:**						
IV	1*a)*	4%-os magyar aranyjáradék kölcsön	1.389,483.486	39	.	.	1.389,483.486	39
	1*b)*	1910. évi 4%-os magyar járadék kölcsön	50,758.252	29	.	.	50,758.252	29
	1*c)*	1913. évi 4½%-os magyar járadék kölcsön	46,053.728	07	.	.	46,053.728	07
	1*d)*	1914. évi 4½%-os törlesztéses járadék kölcsön	232,425.966	81	.	.	232,425.966	81
		Együtt (1. tétel)	1.718,721.433	56	.	.	1.718,721.433	56
	2	A szab. osztrák-magyar államvasúttársaság magyar vonalainak megváltásából származó adósság	146,469.851	45	.	.	146,469.851	45
	3	Nemzetközi segélyhitel (Relief kölcsön)	23,305.917	83	.	.	23,305.917	83
	4	1922. évben kibocsátott, 6%-kal francia frankban kamatozó pénztárjegy kölcsön	60.182	08	.	.	60.182	08
	5	A brit egyezményből kifolyólag teljesítendő fizetések	37,668.092	32	.	.	37,668.092	32
	6	A francia egyezményből kifolyólag teljesítendő fizetések	1,821.551	89	.	.	1,821.551	89
	7	A Duna-Száva-Adria vasúttársaság jogviszonyainak rendezésével kapcsolatos fizetések	61,310.878	90	.	.	61,310.878	90
	8	Magyarország 1924. évi államkölcsöne	432,778.797	64	7,535.407	12	440,314.204	76
	9	Francia frankban kamatozó 6½%-os kölcsön	4,193.432	32	.	.	4,193.432	32
	10	Az Osztrák Magyar Bank felszámolóival létrejött megállapodás szerint kibocsátott 5%-os állami kötelezvények	406.544	28	.	.	406.544	28
	11	1925. évben kibocsátott, olasz lírában kamatozó 6%-os pénztárjegy kölcsön	6.081	90	.	.	6.081	90
	12	1925. évben kibocsátott, francia frankban kamatozó 6%-os kötvény kölcsön	2,564.688	.	.	.	2,564.688	.
	13	A magyar-belga clearingegyezmény 4. cikke alapján kibocsátott 1928. évi 6%-os törlesztéses kötvények	6,773.490	88	.	.	6,773.490	88
	14	1929. évben kibocsátott, svájci frankban kamatozó 6%-os pénztárjegykölcsön	18,994.763	51	.	.	18,994.763	51
	15	1930. évben kibocsátott, olasz lírában kamatozó 6%-os pénztárjegy kölcsön	10.136	50	.	.	10.136	50
	16	Olasz lírában kamatozó 4%-os törlesztéses kölcsön	7,668.528	.	.	.	7,668.528	.
	17	A cseh-morva telepesek ügyében létrejött megállapodás alapján teljesítendő fizetések	10,694.615	75	.	.	10,694.615	75
	18	Az 1940. évi május hó 21-én Berlinben létrejött magyar-német megállapodással kapcsolatban kibocsátott 4½%-os törlesztéses kölcsön	305,544.225	32	.	.	305,544.225	32
	19	Az 1942. évi március hó 4-én létrejött magyar-német megállapodás alapján kibocsátott 4½%-os törlesztéses kölcsön	3,679.745	72	.	.	3,679.745	72
	20	A Magyar Nemzeti Bankkal szemben fennálló adósság	.	.	336,868.500	97	336,868.500	97
	21	Amerikai hadianyag felesleg felvásárlási kölcsön	168,290.866	87	.	.	168,290.866	87
		Összesen *(a)*	2.950,963.824	72	344,403.908	09	3.295,367.732	81

source: Court of Auditors Report for the years 1947-48, page 399/375.

List of Court of Auditors Reports along with their links, based on which the history of Royal Hungarian Bonds can be tracked

1894:
https://library.hungaricana.hu/hu/view/AllamiZarszamadas_1894/?pg=0&layout=s

1895:
https://library.hungaricana.hu/hu/view/AllamiZarszamadas_1895/?pg=0&layout=s

1896:
https://library.hungaricana.hu/hu/view/AllamiZarszamadas_1896/?pg=0&layout=s

1897:
https://library.hungaricana.hu/hu/view/AllamiZarszamadas_1897/?pg=0&layout=s

1898:
https://library.hungaricana.hu/hu/view/AllamiZarszamadas_1898/?pg=0&layout=s

1899:
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1900:
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1901:
https://library.hungaricana.hu/hu/view/AllamiZarszamadas_1901/?pg=0&layout=s

1902:
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1903:
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1904:
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1905:
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1906:
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1907:
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1908:
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1909:
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1910:
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1911:
https://library.hungaricana.hu/hu/view/AllamiZarszamadas_1911/?pg=0&layout=s

1912:
https://library.hungaricana.hu/hu/view/AllamiZarszamadas_1912/?pg=0&layout=s

1913:
https://library.hungaricana.hu/hu/view/AllamiZarszamadas_1913/?pg=0&layout=s

1914:
https://library.hungaricana.hu/hu/view/AllamiZarszamadas_1914/?pg=0&layout=s

1914-1915:

https://library.hungaricana.hu/hu/view/AllamiZarszamadas_1914-1915/?pg=0&layout=s

1915-1916:

https://library.hungaricana.hu/hu/view/AllamiZarszamadas_1915-1916/?pg=0&layout=s

1920-1921:

https://library.hungaricana.hu/hu/view/AllamiZarszamadas_1920-1921/?pg=0&layout=s

1921-1922:

https://library.hungaricana.hu/hu/view/AllamiZarszamadas_1921-1922/?pg=0&layout=s

1922-1923:

https://library.hungaricana.hu/hu/view/AllamiZarszamadas_1922-1923/?pg=0&layout=s

1923-1924:

https://library.hungaricana.hu/hu/view/AllamiZarszamadas_1923-1924/?pg=0&layout=s

1924-1925:

https://library.hungaricana.hu/hu/view/AllamiZarszamadas_1924-1925/?pg=0&layout=s

1925-1926:

https://library.hungaricana.hu/hu/view/AllamiZarszamadas_1925-1926/?pg=0&layout=s

1926-1927:

https://library.hungaricana.hu/hu/view/AllamiZarszamadas_1926-1927/?pg=0&layout=s

1927-1928:

https://library.hungaricana.hu/hu/view/AllamiZarszamadas_1927-1928/?pg=0&layout=s

1928-1929:

https://library.hungaricana.hu/hu/view/AllamiZarszamadas_1928-1929/?pg=0&layout=s

1929-1930:

https://library.hungaricana.hu/hu/view/AllamiZarszamadas_1929-1930/?pg=0&layout=s

1930-1931:

https://library.hungaricana.hu/hu/view/AllamiZarszamadas_1930-1931/?pg=0&layout=s

1931-1932:

https://library.hungaricana.hu/hu/view/AllamiZarszamadas_1931-1932/?pg=0&layout=s

1932-1933:

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1933-1934:

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1934-1935:

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1936-1937:

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1937-1938:

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1938-1939:

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1939-1940:

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1941:
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1942:
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1943:
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1944:
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1945-1946:

https://library.hungaricana.hu/hu/view/AllamiZarszamadas_1945-1946/?pg=0&layout=s

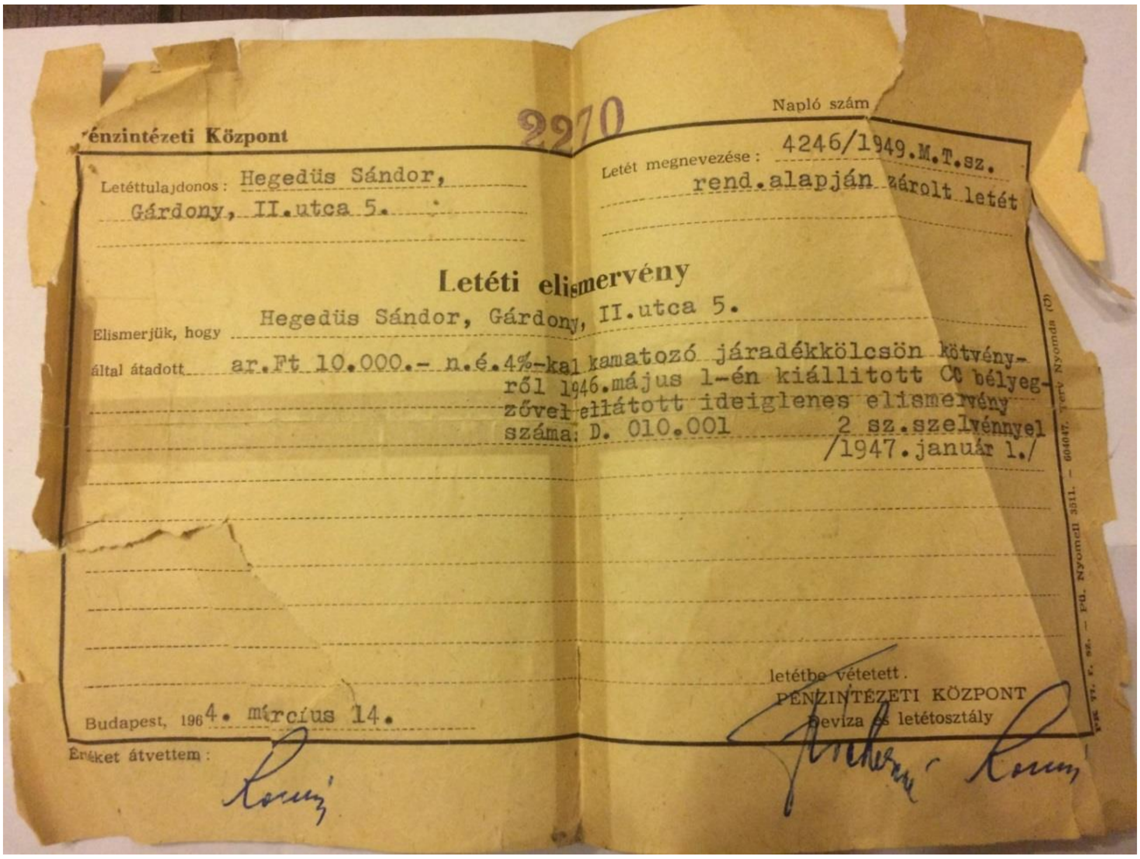
1946-1947:

https://library.hungaricana.hu/hu/view/AllamiZarszamadas_1946-1947/?pg=0&layout=s

1947-1948:

https://library.hungaricana.hu/hu/view/AllamiZarszamadas_1947-1948/?pg=0&layout=s

Certificate of deposit of the temporary receipt issued in replacement of a Royal Hungarian Bond taken away from bondholder Sándor [=Alexander] Hegedüs:


2270

Napló szám

…énzintézeti Központ

Letéttulajdonos: Hegedüs Sándor, Gárdony, II.utca 5.

Letét megnevezése: 4246/1949.M.T.sz. rend.alapján zárolt letét

Letéti elismervény

Elismerjük, hogy Hegedüs Sándor, Gárdony, II.utca 5. által átadott ar.Ft 10.000.- n.é.4%-kal kamatozó járadékkölcsön kötvényről 1946.május 1-én kiállitott CC bélyegzővel ellátott ideiglenes elismervény száma: D. 010.001 2 sz.szelvénnyel /1947.január 1./

Budapest, 1964. március 14.

Értéket átvettem:

letétbe vétetett.
PÉNZINTÉZETI KÖZPONT
Deviza és letétosztály

My translation:

Owner of deposit: Sándor Hegedüs, Gárdony, II. street 5.

Subject of deposit: deposit blocked under 4246/1949. Decree of the Council of Ministers

Certificate of deposit

We hereby acknowledge, that a CC-overstamped temporary receipt issued on May 1, 1946 in replacement of an annuity loan with 4% interest rate and a nominal value of 10,000 gold forints was deposited by Sándor Hegedüs living in Gárdony, II. street 5, along with 2 coupons. […]

Budapest, 14th of March 1964

Financial Institution Center […]

Table summarizing data of Royal Hungarian Bonds:

Act of Parliament	Issuance date	Signal letter	Denomination	Number of pieces	Face value
1881 XXXII.	11. 5, 1881	A	100	290.000	29,000.000
		B	500	87.200	43,600.000
		C	1000	440.000	440,000.000
		D	**10000**	**3240**	**32,400.000**
In total:					545,000.000
1880 VIII., 1881 XI., 1888 VI.	1. 5, 1888	A	100	10.000	1,000.000
		B	500	2.000	1,000.000
		C	1000	15.000	15,000.000
In total:					17,000.000
1887 XXXII.	1. 1, 1888	A	100	10.000	1,000.000
		B	500	2.000	1,000.000
		C	1000	28.000	28,000.000
In total:					30,000.000
1892 XXI.	1. 1, 1893	A	100	40.000	4,000.000
		B	500	12.000	6,000.000
		C	1000	80.000	80,000.000
In total:					90,000.000

source: The data were extracted from the original pieces of bonds, however Court of Auditors Reports listed here in the Annex also represents them.

Late interest in Hungary

applicable	late interest	legal bases	regulation
<XII. 31, 1988	6%	XXXVII. Act of Parliament in 1875, 281. §	late interest based on commercial transaction
I. 1, 1989-V. 25	8%	IV. Act of Parliament in 1959, 301. §	late interest based on the central bank base rate valid on the last day before the calendar semester
V. 26, 1989-VIII. 31, 2000	20%		
IX. 1, 2000-XII. 31, 2000	12%	LXXXVIII. Act of Parliemant in 2000, 3. § (2) b)	determined annually based on the budget law
I. 1, 2001-XII. 31, 2001	11%	CXXXIII. Act of Parliament in 2000, 121. § b)	
I. 1, 2002-XII. 1, 2002	11%		
I. 1, 2003-XII. 31, 2003	11%	LXII. Act of Parliament in 2002, 118. § b)	
I. 1, 2004-IV. 30, 2004	11%		
V. 1, 2004-XII. 31, 2004	11,5%	IV. Act of Parliament in 1959, 301. §	late interest based on the central bank base rate valid on the last day before the calendar semester
I. 1, 2005	9,5%		
VII. 1, 2005	7,25%		
I. 1, 2006	6%		
VII. 1, 2006	6,25%		
I. 1, 2007	8%		
VII. 1, 2007	7,75%		
I. 1, 2008	7,5%		
VII. 1, 2008	8.5%		
I. 1, 2009	10%		
VII. 1, 2009	9,5%		
I. 1, 2010	6,25%		
VII. 1, 2010	5,25%		
I. 1, 2011	5,75%		
VII. 1, 2011	6%		
I. 1, 2012	7%		
VII. 1, 2012	7%		
I. 1, 2013	5,75%		
II. 27, 2013 <		V. Act of Parliament in 2013, 6:47. §	late interest based on the central bank base rate on the first day of the calendar semester
VII. 1, 2013	4,25%		
I. 1, 2014	3%		
VII. 1, 2014	2,3%		
I. 1, 2015	2,1%		
VII. 1, 2015	1,5%		

I. 1, 2016	1,35%		
VII. 1, 2016	0,9%		
I. 1, 2017	0,9%		
VII. 1, 2017	0,9%		
I. 1, 2018	0,9%		
VII. 1, 2018	0,9%		
I. 1, 2019	0,9%		
VII. 1, 2019	0,9%		
I. 1, 2020	0,9%		
VII. 1, 2020	0,75%		
I. 1, 2021	0,6%		
VII. 1, 2021	0,9%		
I. 1, 2022	2,4%		
VII. 1, 2022	7,75%		

Yields of a 1000 gold forints denomination

Annual yield for foreign bondholders		**Annual yield for Hungarian bondholders**		**Year**
calculated in the applicable currency	**calculated in US gold dollars**	**calculated in the applicable currency**	**calculated in US gold dollars**	
40 gold forints	19,3	40 gold forints	19,3	1894
40 gold forints	19,3	40 gold forints	19,3	1895
40 gold forints	19,3	40 gold forints	19,3	1896
40 gold forints	19,3	40 gold forints	19,3	1897
40 gold forints	19,3	40 gold forints	19,3	1898
40 gold forints	19,3	40 gold forints	19,3	1899
95 gold crowns	19,3	95 gold crowns	19,3	1900
95 gold crowns	19,3	95 gold crowns	19,3	1901
95 gold crowns	19,3	95 gold crowns	19,3	1902
95 gold crowns	19,3	95 gold crowns	19,3	1903
95 gold crowns	19,3	95 gold crowns	19,3	1904
95 gold crowns	19,3	95 gold crowns	19,3	1905
95 gold crowns	19,3	95 gold crowns	19,3	1906
95 gold crowns	19,3	95 gold crowns	19,3	1907

95 gold crowns	19,3	95 gold crowns	19,3	1908
95 gold crowns	19,3	95 gold crowns	19,3	1909
95 gold crowns	19,3	95 gold crowns	19,3	1910
95 gold crowns	19,3	95 gold crowns	19,3	1911
95 gold crowns	19,3	95 gold crowns	19,3	1912
95 gold crowns	19,3	95 gold crowns	19,3	1913
95 gold crowns	19,3	95 gold crowns	19,3	1914
0	0	0	0	1915
0	0	0	0	1916
0	0	0	0	1917
0	0	0	0	1918
0	0	0	0	1919
0	0	0	0	1920
0	0	0	0	1921
0	0	95 gold crowns	19,3	1922
0	0	95 gold crowns	19,3	1923
0	0	95 gold crowns	19,3	1924
0	0	95 gold crowns	19,3	1925
42,6 gold crowns	8,655	0,000013 gold crowns	0,00000264	1926
45,5 pengő	8	0,00762 pengő	0,00134	1927
45,5 pengő	8	0,00762 pengő	0,00134	1928
45,5 pengő	8	0,00762 pengő	0,00134	1929
45,5 pengő	8	0,00762 pengő	0,00134	1930
45,5 pengő	8	0,00762 pengő	0,00134	1931
38 pengő	8	0,00762 pengő	0,00134	1932
31,5 pengő	8	0,00762 pengő	0,00134	1933
45 pengő	8	0,00762 pengő	0,00134	1934
45 pengő	8	0,00762 pengő	0,00134	1935
45 pengő	8	0,00762 pengő	0,00134	1936
45 pengő	8	0,00762 pengő	0,00134	1937

35 pengő	6,2	0,00762 pengő	0,00134	1938
35 pengő	6,2	0,00762 pengő	0,00134	1939
17 pengő	3,1	0,00381 pengő	0,00067	1940
0	0	0	0	1941<
Note: Although the yields are only indicated here from 1894 onwards –the year when all series existed-, of course for example pieces of 1881 series already offered coupons in gold forints earlier. Yields are calculated based on the Court of Auditors Reports listed in the Appendix on page 60-64.				

Hungarian legal sources

<u>1869. évi XII. törvénycikk [=XII. Act of Parliament in 1869]</u>

1. §.: „Az […] megnevezett pénznemeken kívül még 10 frank értékü 4 forintos és 20 frank értékü 8 forintos aranyok is veretendők.”

2. §.: „A 10 (tiz) frankos arany ártmérője 19 milliméter, finomsági tartalma 0,900, azaz kilencszáz ezredrész, sullya 1/155 pénzfont, karimája rovátkos. A képlapra Ő Felsége mellképe jő […].”

3. §.: „A 20 (husz) frankos arany átémérője 21 milliméter, finomsági tartalma 0,900, azaz kilencszáz ezredrész, sullya 2/155 pénzfont, karimája rovátkos.”

My translation:

1. §.: In addition to the named currencies, gold forint coins of 4 worth 10 francs and gold forint coins of 8 worth 20 francs are also to be minted.

2. §.: The 10 (ten) francs gold coin has a diameter of 19 millimeters, a fineness of 0.900, i.e. nine hundred thousandths, a weight of 1/155 coin pound, and a flanged notch. The bust of His Majesty is coming to the front picture.

3. §.: The 20 (twenty) francs gold coin has a diameter of 21 millimeters, a fineness of 0.900, i.e. nine hundred thousandths, a weight of 2/155 coin pound, and a notched flange.

<u>1879. évi II. törvénycikk [=II. Act of Parliament in 1879]</u>

3. §.: „A pénzügyminister felhatalmaztatik, hogy a […] összeget, akár egészen 6%-os, aranyban kamatozó adómentes járadékkötvények kibocsátása és elárusítása, akár részben ez által és részben 5%-os aranyban kamatozó és 36 év alatt egyenlő évi részletekben törlesztendő jelzálogos kölcsönkötvények kibocsátása és elárusitása által szerezze be."

My translation:

3. §.: The Minister of Finance is authorized to obtain the amount needed either by issuing and selling 6% gold tax-free annuity bonds or by issuing and selling mortgage bonds with 5% gold interest repayable in equal annual installments over 36 years.

<u>1880. évi VIII. törvénycikk [=VIII. Act of Parliament in 1880]</u>

1. §.: „A pénzügyminister felhatalmaztatik, hogy az […] államkötvények évi tőketörlesztési járadékainak fedezésére évenkint 6%-os adómentes aranyjáradék-kötvényeket bocsásson ki […]."

My translation:

1. §.: The Minister of Finance is authorized to issue 6% tax-free gold annuity to cover the expenditure of annual principal repayment of government bonds.

<u>1881. évi XI. törvénycikk [=XI. Act of Parliament in 1881]</u>

1. §.: „[…] az ezen tőketörlesztési járulékok fedezésére szükséges összegeket,- vagy aranyjáradékkötvények kibocsátása által szerezze be, […] vagy pedig 5%-kal osztr. értékben kamatozó adómentes járadékkötvények kibocsátása és elárusitása utján fedezze."

My translation:

1. §.: The amounts needed to cover these capital repayment contributions, - either by issuing gold annuity bonds or by issuing and selling tax free 5% interest-bearing annuity bonds.

1881. évi XXXIII. törvénycikk [=XXXIII. Act of Parliament in 1881]

38. §.: „A járadékkötvényekben biztosított járadékkövetelési jognak […] a bemutatóra szóló kötvényeknél […] a kötvényhez kiadott szelvényiven lévő utolsó szelvényt követő legközelebbi kamat (járadék-) részlet lejárati napjától számitandó."

40. §.: „Szelvényeken alapuló követelés, a lejárat napjától számítandó hat esztendő elteltével elévül."

My translation:

38. §.: The right to claim the interest provided in the annuity bonds for possession shall be calculated from the maturity date of the next interest (annuity) installment following the last coupon issued on the coupon sheet for the bearer bonds.

40. §.: Claims based on coupons expire six years after the due date.

1881. évi XXXII. törvénycikk [=XXXII. Act of Parliament in 1881]

1. §.: „A pénzügyminister felhatalmaztatik, hogy az […] kibocsátott, összesen 400 millió arany forint (1000 millió frank, 40 millió sterling font, 810 millió német birodalmi márka) névértékü adómentes 6%-os magyar aranyjáradék-kötvények beváltására 4%-kal aranyban kamatozó, hasonlóan adómentes […] járadékkötvényeket […] a szükséges mennyiségben kibocsáthasson. A beváltott 6%-os magyar aranyjáradék-kölcsönkötvények megsemmisitendők."

My translation:

1. §.: The Minister of Finance is authorized to redeem 6% Hungarian gold annuity bonds with a nominal value of 400 million gold forints (1,000 million francs, 40 million pound sterling, 810 million german marks) for the issuance of similarly tax-free annuity bonds replacing older ones bearing interest of 4% in gold as much as necessary. The redeemed 6% Hungarian gold annuity bonds must be destroyed.

1887. évi XXXII. törvénycikk [=XXXII. Act of Parliament in 1887]

1. §.: „Felhatalmaztatik a pénzügyminister, hogy az állami pénztárak készleteinek kiegészitésére 32 millió osztrák értékü forintot hitelmüvelet utján beszerezhessen."

My translation:

1. §.: The Minister of Finance is authorized to raise 32 million gold forints to replenish the reserves of the state treasury through a credit operation.

A pénzügyi bizottság jelentése az 1887. évi XXXII. törvénycikk végrehajtásáról, 1. oldal [=Report of the Finance Committee on the implementation of XXXII. Act of Parliament in 1887 (page 1.)]

„[…] a pénzpiacz helyzete az év első felében ezt a miveletet előnyösebbé tette és e czélból: 20.000,000 forint névszerinti 4%-os aranyjáradékot 75 és fél; 10.000,000 forintot 76 és fél (arany) árfolyamon értékesitett; ezekből összesen 45.500,000 arany német birodalmi márkát kapott."

My translation:

The situation on the money market in the first half of the year made this operation more advantageous and for this purpose: a nominal gold annuity of 20,000,000 forints with interest rate 4% was sold at a 75,5% price. Morover gold annuity with nominal value of 10,000,000 forints was sold at 76,5% price based on (gold) exchange rates of these. By doing this, the budget received a total of 45,500,000 gold German imperial marks.

1888. évi VI. törvénycikk [=VI. Act of Parliament in 1888]

4. §.: „[…] Felhatalmaztatik a pénzügyminister, hogy ezen hiányt hitelmüvelet utján fedezze."

My translation:

4. §.: The Minister of Finance is empowered to cover this deficit through a credit operation.

1892. évi XXI. törvénycikk [=XXI. Act of Parliament in 1892]

1. §.: „A pénzügyminiszter felhatalmaztatik, hogy az alábbi 2. §-ban felsorolt tartozások kötvény-, valamint részvénybirtokosainak a kötvényeikben vagy részvényeikben kifejezett tőkét az állam és az állam által megváltott vasutak korábbi birtokosai nevében és helyett felmondhassa, és a mennyiben a bevonandó kötvények és részvények

birtokosai az alábbi 6. s illetőleg 7. §-ok szerint kibocsátandó mérsékeltebb kamatozású kötvényeket elfogadni hajlandók nem lennének, a bevont kötvények s illetőleg részvények névszerinti tőkeértékét készpénzben kifizethesse.” […]

7. §.: „A […] tartozások bevonása végett azoknál alacsonyabb kamatozású […] koronaértékre szóló adómentes járadékkötvények […] bocsáthatók ki. Ugyancsak ily aranyjáradékkötvények bocsáthatók ki ezen kívül oly összeg erejéig, a melynek kamatszükséglete a 2. §-ban felsorolt állami tartozások 1892-ik évi kamatozási és törlesztési szükséglete és az ezen adósságok beváltására szolgáló új adóssági czimletek évi szükséglete közti különbözet által fedezhető.”

8. §.: „Felhatalmaztatik a pénzügyminister, hogy a koronaértékre szóló járadékkötvények helyett […] adómentes törlesztéses kötvényeket bocsáthasson ki, […] s legfeljebb 75 év alatt törlesztendők.”

My translation:

1. §.: The Minister of Finance is authorized to cancel the capital of the bondholders and shareholders of the debts listed in 2. § below in the name and on behalf of the State and former holders of State-redeemed railways. If the bondholders were not willing to accept bonds with a lower interest rate to be issued in accordance with 6. § or 7. § below replacing the old ones, the state may pay the nominal capital value of the covered bonds and shares in cash.

7. §.: In order to redeem the debts, tax-free annuity bonds with a lower interest rate can be issued. In addition, such gold annuity bonds may be issued up to an amount the interest requirement of which may be covered by the difference between the interest and repayment requirement of the public debts in 1892 listed in 2. § and the annual requirement of new debts to repay these debts.

8. §.: The Minister of Finance is authorized to issue tax-free annuity bonds replacing the crown-value ones that must be repaid within a maximum of 75 years.

Jelentése a magyar királyi pénzügyministernek a […] 1892. évi XXI. törvénycikk végrehajtásáról (2. oldal) [=Report of the Royal Hungarian Minister of Finance on the implementation of XXI. Act of Parliament in 1892 (page 2.)]

„Egyben felhatalmaztatott a pénzügyminister, hogy a koronaértékre szóló járadék-kötvények helyett […] vagyis azoknak a tartozásoknak a bevonása végett, a melyek törlesztéses adósságot képeztek, esetleg ezeknél mérsékeltebb kamatozású adómentes törlesztéses kötvényeket bocsáthasson ki, melyek […] legfeljebb 75 év alatt törlesztendők."

My translation:

At the same time, the Minister of Finance is authorized to issue tax-free bonds with a lower interest rate, which will be repayable for a maximum of 75 years, replacing crown denominated annuity bonds.

1892. évi XVII. törvénycikk [=XVII. Act of Parliament in 1892]

1. §.: „Az eddigi ausztriai érték helyébe az aranyérték lép, a melynek számitási egysége a korona."

My translation:

1. §.: The current Austrian value is replaced by the gold value, the unit of account of which is the crown.

1892. évi XIX. törvénycikk [=XIX. Act of Parliament in 1892]

2. §.: „Hogy a teljesitendő szolgáltatások belértéke változást ne szenvedjen, ily fizetéseknél 42 magyar vagy ausztriai arany forint a koronaértéknek arany érméiben 100 koronával számitandó egyenlőnek."

My translation:

2. §.: In order not to suffer a change in the value of the services to be provided, 42 Hungarian or Austrian gold forints should be equal to 100 crowns in gold coins for such payments.

9930/1920. M.E. rendelet [=9930/1920. Decree of the Prime Minister]

1. §.: „Mindazok a természetes és jogi személyek, akik az 1914. évi július hó 28. napját megelőzőleg kibocsátott és a jelen rendelet mellékletében felsorolt államadóssági címleteket Magyarországnak magyar közigazgatás alatt álló területén birtokukban vagy őrizetükben tartanak, kötelesek ezeket a címleteket a hozzájuk tartozó szelvényivekkel együtt az 1921. évi január hó 1-ső napjától 1921. évi február hó 15-ik napjáig terjedő határidőben jegyzékbefoglalás és megjelölés céljából valamely m. kir. állami pénztárnál bemutatni."

2. §.: „[…] a jegyzékbe történt bevezetés után a külön e célra szolgáló >>Magyarország<< feliratú tojásdad alakú bélyegzőt és saját bélyegzőjét ráüti."

4. §.: „Azokat a magyar államadóssági címleteket, amelyeket valamely idegen állam felülbélyegzéssel vagy megjelöléssel ellátott […] magyar bélyegzővel megjelölni nem szabad."

My translation:

1. §.: All natural and legal persons who possess or keep in custody the public debt denominations issued before the 28th day of July, 1914 and listed in the Annex to this Decree in the territory of Hungary shall be obliged to deposit these denominations together with the coupons belonging to them between 1. January, 1921 and 15. February, 1921 for the purpose of listing and marking at any Hungarian royal state fund.

2. §.: After being entered in the list, an egg-shaped stamp with title >>Hungary<< shall be placed on it.

4. §.: Hungarian government debt denominations that have already been overstamped or marked by a foreign state may not be marked with a Hungarian stamp.

1921. évi XXVI. törvénycikk [=XXVI. Act of Parliament in 1921]

„Az […] adósságok felosztása az 1920. évi június hó 4. napján a Trianonban kötött békeszerződés 186. Cikkének és e cikk függelékének rendelekzései alapján fog megtörténni."

1. §.: „Természetes és jogi személyek, valamint jogi személyiséggel fel nem ruházott vagyonközösségek a tulajdonukban lévő magyar államadóssági címletek névértéke után általában 20% […] vagyonváltságot tartoznak leróni.”

My translation:

The debts will be apportioned in accordance with the provisions of Article 186 of the Peace Treaty of Trianon, concluded in 4. June, 1920 and the Appendix to this Article.

1. §.: Natural and legal persons, as well as joint ventures without legal personality, are generally required to pay 20% of the nominal value of the Hungarian government debt denominations they own.

Trianoni békeszerződés és az azt becikkelyező 1921. évi XXXIII. törvénycikk [=Peace Treay of Trianon and the XXXIII. Hungarian Act of Parliament in 1921 implementing it]

IX. rész 186. cikk 2. pont:

„Mindazok az Államok, amelyekhez a volt Osztrák-Magyar Monarchia területéből valamely részt csatoltak és mindazok az Államok, amelyek az említett Monarchia feldarabolásából keletkeztek, ideértve Magyarországot is, kötelesek részt vállalni a külön nem biztosított, de címletszerű magyar államadósságból az 1914. évi július hó 28.-án fennállott állapot szerint; e rész kiszámításánál alapul szolgál azoknak a jövedelemágaknak egyrészt a jelen Szerződésnek megfelelően átcsatolt területeken, másrészt az egész volt magyar területen, az 1911, 1912. és 1913. pénzügyi évek középeredménye szerint vett aránya, amely jövedelemágak a Jóvátételi Bizottság nézete szerint legalkalmasabbak arra, hogy belőlük az illető területek pénzügyi teljesítőképessége igazságosan megállapítassék.”

Függelék:

„[…] Azok az Államok, amelyek külön nem biztosított volt magyar államadósságért felelősek, a jelen Szerződés életbelépésétől számított három hónapon belül kötelesek ennek az adósságnak saját területükön lévő minden címletét külön erre a célra szolgáló s államonkint egymástól eltérő bélyeggel ellátni […].”

„Azoknak a címleteknek a birtokosai, amelyek a jelen Függelék értelmében azok lebélyegzésére kötelezett állam területén vannak, a jelen Szerződés életbelépésétől kezdve e címletek alapján az említett Államnak hitelezőivé válnak és semmiféle más Állam ellen igényt nem támaszthatnak. […]"

„Ha az eredeti címlet egy vagy több külföldi pénznemre szólt, az új címlet is ugyanerre a pénznemre vagy ugyanezekre a pénznemekre fog szólni. Ha az eredeti címlet osztrák-magyar aranypénzre szólít, az új címlet font sterlingre és az Északamerikai Egyesült Államok arany dollárjára fog egyenértékben szólni, a három pénznemnek az 1914. évi január 1-én érvényben volt törvényes rendelkezések értelmében számított súlyát és finomságát véve alapul."

„Ha a régi címletek kifejezetten vagy hallgatólagosan jogot adtak a fizetés pénznemének meghatározott külföldi váltóárfolyam szerint való választásra vagy bármely más átszámítási kedvezményre, ugyanezeket a kedvezményeket az új címleteknek is biztosítaniok kell."

Official English version:

Part IX.

Financial Clauses

Article 186.

2. „Each of the States to which territory of the former AustroHungarian Monarchy is transferred, and each of the States arising from the dismemberment of that Monarchy, including Hungary, shall assume responsibility for a portion of the unsecured bonded debt of the former Hungarian Government as it stood on July 28, 1914, calculated on the basis of the ratio between the average for the three financial years 1911, 1912, 1913, of such revenues of the territory distributed in accordance with the present Treaty and the average for the same years of such revenues of the whole of the former Hungarian territories as in the judgement of the Reparation Commission are best calculated to represent the financial capacity of the respective territories."

Annex

„Each State assuming responsibility for the former unsecured Hungarian Government bonded debt shall, within three months of the coming into force of the present Treaty, if it has not already done so, stamp with the stamp of its own Government all the bonds of that debt existing in its own territory."

„Holders of bonds within the territory of a State which is required to stamp old Hungarian bonds under the terms of this Annex shall, from the date of the coming into force of the present Treaty, be creditors in respect of these bonds of that State only and they shall have no recourse against the Government of any other State."

„If the original bond was expressed in terms of a foreign currency or foreign currencies, the new bond shall be expressed in terms of the same currency or currencies. If the original bond was expressed in terms of Austro-Hungarian gold coin, the new bond shall be expressed in terms of equivalent amounts of pound sterling and gold dollars of the United States of America, the equivalents being calculated on the basis of the weight and fineness of gold of the three coins as enacted by law on January I, 1914."

„Any foreign exchange options, whether at fix rates or otherwise, embodied explicitly or implicitly in the old bonds shall be embodied in the new bonds also."

Innsbrucki Egyezmény, 1923. [=Innsbruck Convention of 1923]

Rendelet a háború előtti magyar államadósságok jövőbeni kezelése tárgyában (Külügyi Közlöny, 1926. június 5. VI. évfolyam, 4. szám 15-16. oldalak) [=Decree on the future management of pre-war Hungarian public debt (Foreign Affairs Gazette, 5 June 1926 VI. grade, number 4. page 15-16.]

„[…] A nem biztosított adósságok: […] 4%-os magyar aranyjáradék-kölcsön. […]"

„A nem biztosított adósságokból a Jóvátételi Bizottság által a jelenlegi Magyarország terhére megállapított adósságrész, nevezetesen azon címletek szolgálatát, amely címletek a trianoni békeszerződés 186. cikkét követő függelék rendelkezéseihez képest hivatalos magyar megjelöléssel ellátatták, Magyarország teljesíti, tekintet nélkül a címlettulajdonosok állampolgárságára. A nem biztosított adósság aranyra és vagylagosan külföldi értékre szóló kibocsátásainak a volt, osztrák-magyar Monarchia területén kívül levő, magyar megjelöléssel el nem látott címletei jövőbeni szolgálata tekintetében 1923. év június hó 29-én Innsbruckban jegyzőkönyvi megállapodás jött létre. E megállapodás értelmében a […] 4%-os aranyjáradékkölcsön régi külföldi tulajdonban levő címletei jövőbeni szolgálatának ellátása a Párizsban székelő közös pénztár feladata. A 4%-os aranyjáradék-kölcsön címletei után az azok eredeti kamatozásának megfelelő kamatösszeg 32%-a […] fizetendő aranyban vagy arany helyett, a pénztár választása szerint font sterlingben vagy dollárban.”

My translation:

Unsecured debts: 4% Hungarian gold annuity loan [=Royal Hungarian Bonds]

Of the unsecured debts, Hungary will serve the part of the debt determined by the Reparation Commission for the current Hungary, namely the denominations which have been officially marked in accordance with the provisions of the Appendix to Article 186 of the Trianon Peace Treaty, regardless of the nationality of the denomination holders. A Convention was signed in Innsbruck on 29. June, 1923 for the future service of unsecured and unstamped debt instruments of gold and, alternatively, foreign-denominated denominations outside the territory of the former Austro-Hungarian Monarchy. Under this agreement, the future service of the old foreign-owned denominations of the 4% gold annuity loan will be provided by Caisse Commune located in Paris. For the denominations of the 4% gold annuity loan, 32% of the interest amount corresponding to their original interest rate will be payable in gold, or alternatively in sterling or dollar based on choice of Caisse Commune.

102000/1924. P.M. rendelet [102000/1924. Decree of the Minister of Finance]

4. §.: „[…] A szelvénybeváltó hely a beváltás alkalmával meggyőződni tartozik arról, hogy a szelvényekkel egyező kötvényszámú szelvényutalvány a háborús államadóssági címleteknél nosztrifikálási megjelöléssel, a háború előtt kibocsátott címleteknél pedig hivatalos magyar megjelöléssel és a vagyonváltság lerovását igazoló bélyeggel is el van látva.”

My translation:

4. §.: At the time of payment, the place of redemption of the coupon must make sure that the coupon voucher with the same numbering of bonds as the coupons has a nostrification mark on the government debt denominations and an official Hungarian mark along with a stamp certifying the capital levy of the assets.

A trianoni békeszerződés végrehajtása, Állami Zárszámadás 1924-25., 133. oldal [=Implementation of the Peace Treaty of Trianon, Court of Auditors Report for the years 1924-25, page 133.]

„A külön nem biztosított […] adósságok megosztásánál […] a Jóvátételi Bizottság […] a szóbanforgó adósságok megosztásának kulcsát a következőkép állapította meg. A kölcsönből terheli:

A mai Magyarországot	45.733%
a Cseh-Szlovák Köztársaságot	16.020%
Romániát	21.802%
a Szerb-Horvát-Szlovén Királyságot	14.116%
az Osztrák Köztársaságot	1.581%
Fiumét	0.748%.”

„A külön nem biztosított adósságok felosztásának gyakorlati megvalósítása iránt a békeszerződés 186. cikkének „Függelék”-e intézkedett.”

My translation:

In the case of the distribution of unsecured debts, the portions for the distribution of these debts was determined by the Reparation Commission as follows. It is debited from the loan to:

Today’s Hungary	45.733%
Republic of Czecho-Slovakia	16.020%

Romania	21.802%
Kingdom of Serbia, Croatia and Slovenia	14.116 %
Republic of Austria	1.581%
Fiume	0.748%

The "Annex" of Article 186 of the Peace Treaty provided for the practical implementation of the allocation of unsecured debts.

<u>1925. évi XXXV. törvénycikk [=XXXV. Act of Parliament in 1925]</u>

1. §.: „A koronaérték helyébe új érték lép. Az új érték aranyérték. Számolási egysége: a pengő."

17. §.: „A koronában való kötelező számítás helyébe a 1927. évi január hó 1-től a pengőértékben való kötelező számítás lép. Koronának pengőre való átszámításánál 12,500 koronát egy pengőnek kell számítani."

My translation:

1. §.: The crown value is replaced by a new value. The new value is a gold value. Its unit of account is the pengő.

17. §.: The compulsory calculation in the crown will be replaced by the compulsory calculation in pengő value from 1 January, 1927. When converting a crown to a pengő, 12,500 crowns are counted as one pengő.

<u>960/1925. M.E. rendelet [=960/1925. Decree of the Prime Minister]</u>

1. §.: „A Jóvátételi Bizottság 1923. évi február hó 14-én, 1924. évi április hó 23-án és december hó 4-én kelt határozatai értelmében a Trianonban kötött békeszerződés 186. cikkében foglalt rendelkezése végrehajtásával kapcsolatban a háború előtt kibocsátott, záloggal nem biztosított magyar államadóssági címletek közül csak a tényleg összegyűjtött címletek fognak a szóbanforgó államadósságok végleges megosztása alkalmával Magyarország javára számításba vétetni. […] akik […] magyar megjelöléssel ellátott magyar államadóssági címleteket birtokukban vagy őrizetükben

tartanak, kötelesek ezeket a címleteket a hozzájuk tartozó szelvényívekkel együtt 1925. évi április hó 15. napjáig […] letétbe helyezni.”

3. §.: „Azok az államadóssági címletek, melyeket […] letétbe kell helyezni, a következők:

1, A 4%-kal kamatozó aranyjáradék kölcsönkötvények”

6. §.: „Az olyan háború előtt kibocsátott magyar államadóssági címletekben kifejezett követelések, amely címletek a […] rendelkezés ellenére nem helyeztettek letétbe, a magyar állammal szemben nem érvényesíthetők még akkor sem, ha azokat a hivatalos magyar megjelöléssel korábban el is látták, s az ilyen címletekre nézve a magyar állam minden kötelezettsége megszűnik.”

My translation:

1. §.: Pursuant to the decisions of the Reparation Commission of 14 February, 1923, 23. April, 1924 and 4. December, 1924, from the Hungarian unsecured debt issued before the war in connection with the implementation of the provision of Article 186 of the Trianon Peace Treaty, only the denominations actually collected will be taken into account in favor of Hungary in the final distribution of the public debts in question. Those who possess or keep in custody Hungarian government debt denominations bearing the official Hungarian designation [=stamp] shall be obliged to deposit these denominations together with the coupon sheets belonging to them by the 15th day of April 1925.

3. §.: The government debt denominations to be deposited are as follows:

1, Gold annuity bonds with an interest rate of 4% [=Royal Hungarian Bonds]

6. §.: Claims originating from Hungarian government debt denominations issued before the war, which denominations have not been deposited in spite of the provision, shall not be enforceable against the Hungarian State even if they have previously been officially designated [=overstamped]. All obligations of the Hungarian state in respect of such denominations shall cease.

1928. évi XII. törvénycikk, [=XII. Act of Parliament in 1928]

12. §.: „[…] A pénz értékcsökkenéséből eredő hátrányt […] egészen az adósra lehet róni, amennyiben […] az adóst akár a jogviszony természeténél fogva, akár tett intézkedései következtében a pénz értékcsökkenéséből semmi hátrány sem érte."

My translation:

12. §.: The disadvantage resulting from the depreciation of money may be attributed entirely to the debtor, provided that the debtor has not suffered any disadvantage as a result of the depreciation of the money yet, either by the nature of the legal relationship or as a result of the measures taken.

1928. évi magánjogi törvényjavaslat, MAGYARORSZÁG MAGÁNJOGI TÖRVÉNYKÖNYVE [=private law bill of 1928, Code Civil of Hungary]

1284. §.: „[…] Nem évül el az olyan követelés sem, amely […] tulajdonból […] ered és arra irányul, hogy a jogviszonynak vagy jognak megfelelő állapot a jövőre nézve helyreállíttassék."

1287. §.: „Az elévülés ideje abban az időpontban […] kezdődik, amelyben a követelés jog szerint érvényesíthetővé vált (lejárt)."

1290. §.: „A főkövetelés elévülésével az attól függő mellékszolgáltatások iránt fennálló követelés is elévül, még ha erre nézve nem is telt el az elévülés ideje."

1292. §.: „Az elévülés nyugszik:" […]

2. „amíg a hitelezőt követelésének érvényesítésében a jogszolgáltatás szünetelése vagy a követelés bírói úton érvényesítésének jogszabállyal rendelt felfüggesztése […] akadályozza."

My translation:

1284. §.: Nor shall a claim arising from property be expired, which is intended to restore the state in line with law or a particular legal relationship for the future.

1287. §.: The limitation period begins on the date on which the claim becomes legally enforceable (expired).

1290. §.: With the limitation (expiry) of the principal claim, the claims for the ancillary services dependent on it also become statute-barred, even if the limitation period has not expired in this respect.

1292. §.: The limitation period is suspended:

2. as long as the creditor is prevented from enforcing his/her claim by the suspension of legal proceedings or the suspension of the enforcement of the claim by judicial means prescribed by law.

1931. évi XI. törvénycikk [=XI. Act of Parliament in 1931]

„2. Cikk:

1. A jelen Egyezmény nem érinti a háború előtti államadósságokra vonatkozó és a Trianoni Szerződés értelmében Magyarországot terhelő kötelezettségeket, sem pedig azokat a kötelezettségeket, amelyek a jelen Egyezmény életbelépésének időpontjáig megkötött bármely más egyezményből vagy megállapodásból akár Magyarországra, akár a többi aláíró Hatalmakra hárulnak.

2. A Trianoni Szerződés 186. Cikke és az eme cikkhez tartozó Függelék végrehajtásának módozatait, amennyiben a végrehajtás a Jóvátételi Bizottság feladatát képezte, az érdekelt Felek esetleg külön megállapodással fogják rendezni."

My translation:

Article 2.:

1. This Convention shall not affect the obligations incumbent on Hungary under the Treaty of Trianon relating to pre-war public debts or the obligations imposed upon Hungary or the other signatory Powers under any other convention or agreement concluded before the date of entry into force of this Convention.

2. The modalities for the implementation of Article 186 of the Treaty of Trianon and the Appendix to this Article, where such implementation was the responsibility of the

Reparation Commission, may be settled by separate agreement between the Parties concerned.

Állami Zárszámadás 1930-31., Jelentés az 1930-31. évi zárszámadásról 27-29 oldalak [=Court of Auditors Report for the years 1930-31, Report on the final accounts for the year 1930-31 page 27-29.]

„Az 1931. év november havában […] megállapítást nyert, hogy a postatakarékpénztár […] felhatalmazása alapján az államadósságok jövőbeni terheinek apasztása céljából az államkincstár helyett megállapodásokat kötött a párisi közös pénztár által szabályszerűen felszelvényezett magyar államadóssági címleteknek hitelműveleti alapon való vásárlására. […] A vásárolt értékpapirok vételára három részletben volt esedékes és pedig: 25-25% 1931. évi március és szeptember hónapokban, 50% pedig 1932. évi március hóban. […] E kölcsönből vásároltatott: 4%-os aranyjáradék 16,600.000 ar. frt n. é.-ben […] A kötvényvásárlás összefügg azokkal a tárgyalásokkal, amelyek Párisban az innsbrucki egyezmény revíziója iránt az 1927-30. években folytak. E tárgyalások során a hitelezők olyan követelésekkel léptek fel, hogy a szóbanforgó örökös […] járadék kölcsönök kamatozása fokozatosan 100%-ra emeltessék. Az a megállapodás-tevezet, amelyhez 1930. október 31-én Magyarország kivételével az összes adós államok hozzájárultak, tárgyalásaink eredményeképen enyhébben alakult ugyan, de még e megállapodás-tervezet szerint is a kölcsönök kamatozása 25 év alatt az eredeti kamatozás 70%-ára emelkednék és az örökös járadékkölcsönök tőkéje egy második 25 éves periodusban 70%-kal aranyban fizettetnék vissza.”

My translation:

In November 1931, it was found that instead of the Treasury the Postal Savings Bank had entered into agreements to purchase Hungarian government debt denominations duly supplied with coupons by the Caisse Commune on a credit operation basis in order to relieve the future burden of public debt. The purchase price of the securities bought back was due in three installments: 25-25% in March and September 1931 and 50% in March 1932. The amount of 4% gold annuity bonds [=Royal Hungarian Bonds] purchased from this loan is worth 16,600,000 gold forint. The purchase of bonds is related to the negotiations that took place in Paris for the revision of the Innsbruck

Convention between 1927-30. During those negotiations, the creditors brought an action for a gradual increase in the interest rate on the constant annuity loans in question to 100%. The draft agreement, to which all the debtor states except Hungary agreed on 31. October, 1930, was more lenient as a result of our negotiations. Even under this draft agreement, the interest rate on the loans would rise to 70% of the original interest rate over 25 years and the principal of the perpetual annuity loans would be repaid in 70% gold in a second 25-year period.

670/1946. M.E. rendelet [=670/1946. Decree of the Prime Minister]

1. § (1).: „A Magyar Nemzeti Bank által a külföld. pénznemekre és az aranyra vonatkozólag […] közzéteendő árfolyamok, illetőleg átvételi árak az 1945. évi január hó 1. napja előtt keletkezett pénztartozások pengőellenértékének megállapításánál a minisztérium további rendelkezéséig nem nyernek alkalmazást."

2. § (1).: „Az 1945. évi január hó 1. napja előtt keletkezett magánjogi jogcímen alapuló olyan követelést, amelynek mértékét külföldi pénznemnek, illetve aranynak pengőre átszámításával kell megállapítani […] a minisztérium további rendelkezéséig bírói úton érvényesíteni nem lehet."

My translation:

1. § (1).: The exchange rates and takeover prices to be published by the Hungarian National Bank in respect of foreign currencies and gold arising from private law claims originating before 1 January, 1945 shall not be applied until the Ministry further determines the value of the pengő.

2. § (1).: A claim based on grounds of private law arising before the first day of January 1945, the amount of which must be determined by converting foreign currency or gold into pengő, cannot be enforced in court until further notice of the Ministry.

9000/1946. M.E. rendelet [=9000/1946. Decree of the Prime Minister]

7. § (1).: „A pengőben való kötelező számítás helyébe az 1946. évi augusztus hó 1. napjától a forintértékben való kötelező számitás lép."

7. § (2).: „A pengőnek és az adópengőnek forintra való átszámitásánál irányadó értékarányt a minisztérium rendelettel állapitja meg.”

My translation:

7. § (1).: The obligatory calculation in pengő will be replaced by the obligatory calculation in forint value from the first day of August 1946.

7. § (2).: The value ratio governing the conversion of pengő and tax pengő into forints shall be established by a decree of the Ministry.

8640/1946. M.E. rendelet [=8640/1946. Decree of the Prime Minister]

1. §.: „A minisztérium […] a pengőnek és az adópengőnek forintra való átszámitásánál irányadó értékarányt a következőképpen állapítja meg: […]

400.000,000.000,000.000,000.000,000.000 (négyszázezerquadrillió) pengő = 1 forint”

My translation:

1. §.: The Ministry determines the standard value ratio for the conversion of pengő and tax pengő into forints as follows:

400.000,000.000,000.000,000.000,000.000 (four hundred thousand quadrillion) pengő = 1 forint

Jelentés az 1946-47-es költségvetésről [=Report on the Budget for the years 1946-47, Hungary]

„Annak ellenére, hogy az állami adósságok szolgálatát felvenni egyelőre nem kívánom, kezelési költségek előirányzására feltétlenül szükség van. […] Ugyancsak költségelőirányzatot tesz szükségessé a bírói megsemmisítési eljárás során semmisnek nyilvánított különböző államadóssági kötvények pótlására kiadandó ideiglenes elismervények előállítási és a kiszolgáltatással kapcsolatosan felmerülő egyéb költségek. A külfölddel szemben fennálló állami adósságok szolgálata ugyancsak szünetel […]. A kezelési költségeknek az előirányzása annak biztosítéka, hogy a kincstár az állami adósságokat továbbra is tartozásainak ismeri el, de az 1946/47. évi költségvetés szükreszabott keretei között azok szolgálatáról gondoskodni nem áll módjában.”

My translation:

Although I do not intend to honor public debt for the time being, it is absolutely necessary to provide for management costs. An expenditure is also required to be envisaged for the reproduction and other costs of the temporary receipts issued to replace the various government bonds declared null and void during the judicial annulment proceedings. The service of government debts towards foreigners is also stayed. The provision of management costs ensures that the Treasury continues to recognize public debts as obligations, but due to the poor conditions of the Budget of 1946/47 debt service is not possible.

<u>Jelentés az 1947-48-as költségvetésről [=Report on the Budget for the years of 1947-48, Hungary]</u>

„A párisi Közös Pénztár szolgálatába bevont magyar járadék kölcsönök. […]

b) 4%-os magyar aranyjáradék kölcsön”

„E kölcsön az 1880:VIII. az 1881:XI. és XXXII., az 1887:XXXII., az 1888:VI. és az 1892:XXI. tc.-ek alapján bocsáttatott ki. A kölcsönkötvények 633,793.000 aranyforint névértékéből a 45.733% arányban 289,934.872 aranyforint terheli Magyarországot. Ebből a Magyarországon foganatosított felülbélyegzés eredményének alapulvételével külföldön elhelyezve 242,880.272 aranyforint. E kötvények szolgálatát a párisi Közös Pénztár látta el. A kölcsön szolgálata […] a Közös Pénztár kívánságának megfelelően dollárban láttatott el és pedig az aranyparitás alapulvételével, amely szerint 8 aranyforint = 20 aranyfrank, viszont egy aranyfrank kerekített paritás szerint 0,193 dollár. Ez alapon a tőkeálladék az egyes költségvetések összeállításakor irányadó árfolyamokon számíttatott át dollárról pengőre, illetőleg forintra. Ily alapon számitva a külföldön elhelyezett címletek névértéke 607,200.680 aranyfrank, illetőleg 117,189.731,24 dollár vagyis 1.389,483.487 forint. […] Az 1940. évtől kezdve […] a kölcsön szolgálatára fizetés nem történt. A magyar köztársaság kormányának azon határozata, amely szerint további rendelkezésig az állami adósságok szolgálatának ellátására előirányzás nem történik, erre a kölcsönre is vonatkozik. Ennek ellenére a kincstár mégis kifejezést akar adni annak az elhatározásnak, hogy ezt a kölcsönt továbbra is tartozásnak ismeri el […].”

My translation:

Hungarian annuity loans raised in the service of Caisse Commune.

b) 4% Hungarian gold annuity loan [=Royal Hungarian Bonds]

This loan was issued under the 1880: VIII., 1881: XI. and XXXII, 1887: XXXII, 1888: VI. and 1892: XXI. Act of Parliaments. Of the total nominal value of 633,793,000 gold forints, 289,934,872 is charged to Hungary in the proportion of 45,733% of the whole sum. Based on the results of the overstamping carried out in Hungary, 242,880,272 gold forints [=total nominal value of foreign bondholders capital] were placed abroad. These bonds were served by the Caisse Commune. The service of the loan was provided in dollars according to the wishes of the Caisse Commune and on the basis of the gold parity, according to which 8 gold forints = 20 gold francs, but one gold franc according to rounded parity is 0.193 dollar. On this basis, the capital was converted from dollars to pengő and forints at the exchange rates prevailing when compiling the individual budgets. Calculated on this basis, the nominal value of denominations placed abroad amounts to 607,200,680 gold francs equals 117,189,731.24 dollars, ie 1,389,483,487 gold forints. From 1940 onwards, no payment was made for the service of the loan. The decision of the Government of the Republic of Hungary, according to which no provision is made for the service of public debts until further notice, also applies to this loan. Nevertheless, the Treasury wants to give expression to the decision to continue to recognize this loan as a debt.

Párizsi Békeszerződés és az azt becikkelyező 1947. évi XVIII. törvény [=Paris Peace Treaty and the XVIII. Hungarian Act of Parliament in 1947 implementing it]

31. Cikk: 1. „A hadiállapot fennállását magában véve nem kell úgy tekinteni, mintha kihatással lenne az olyan pénztartozások megfizetésének kötelezettségére, amelyek a hadiállapot fennállása előtt létezett kötelezettségekből és szerződésekből vagy szerzett

jogokból származnak, amelyek a jelen Szerződés életbelépése előtt esedékesekké váltak és amelyekkel Magyarország kormánya vagy állampolgárai tartoznak valamely Szövetséges és Társult Hatalom kormányának vagy állampolgárainak, illetve valamely Szövetséges és Társult Hatalom kormánya vagy állampolgárai tartoznak Magyarország kormányának vagy állampolgárainak."

37. Cikk: „A IV., V. és VI. számú Mellékletek rendelkezései, úgy mint a többi Mellékletekéi is, a jelen Szerződés szerves kiegészítő részeinek tekintendők s ugyanolyan erővel és hatállyal bírnak."

V. számú Melléklet

B. Elévülési idő: 1. „Ha valamely, személyeket vagy javakat érintő jogviszonyban az Egyesült Nemzetek olyan állampolgárai és olyan magyar állampolgárok vannak érdekelve, akik a hadiállapot fennállása következtében akadályozva voltak abban, hogy bírói jogvédelmet keressenek, vagy jogaik megvédéséhez szükséges alakszerűségeknek eleget tegyenek, minden elévülési időt és eljárási […] határidőt, tekintet nélkül arra, hogy ezek a határidők a háború kitörése előtt vagy után kezdődtek-e, úgy kell tekinteni, mint amelyek a háború tartamára […] nyugodtak. Ezek a határidők a jelen Szerződés életbelépésétől újból tovább folynak. Jelen bekezdés rendelkezéseit kell alkalmazni a kamat vagy osztalékszelvények bemutatására, valamint a sorsolás, vagy bármely egyéb körülmény következtében kifizetésre kerülő kötvények bemutatására megállapított határidők esetében is."

Official English version:

Article 31., point 1.:

„The existence of the state of war shall not, in itself, be regarded as affecting the obligation to pay pecuniary debts arising out of obligations and contracts which existed, and rights which were acquired, before the existence of the state of war, which became payable prior to the coming into force of the present Treaty, and which are due by the Government or nationals of Hungary to the Government or nationals of one of the Allied and Associated Powers or are due by the Government or nationals of one of the Allied and Associated Powers to the Government or nationals of Hungary."

Article 37.:

„The provisions of Annexes IV, V and VI shall, as in the case of the other Annexes, have force and effect as integral parts of the present Treaty."

Annex V.

B. Periods of prescription, point 1.:

„All periods of prescription or limitation of right of action or of the right to take conservatory measures in respect of relations affecting persons or property, involving United Nations nationals and Hungarian nationals who, by reason of the state of war, were unable to take judicial action or to comply with the formalities necessary to safeguard their rights, irrespective of whether these periods commenced before or after the outbreak of war, shall be regarded as having been suspended, for the duration of the war, in Hungarian territory on the one hand, and on the other hand in the territory of those United Nations which grant to Hungary, on a reciprocal basis, the benefit of the provisions of this paragraph. These periods shall begin to run again on the coming into force of the present Treaty. The provisions of this paragraph shall be apllicable in regard to the periods fixed for the presentation of interest or dividend coupons or for the presentation for payment of securities drawn for payment or repayable on any other ground."

13110/1948. Korm. rendelet [=13110/1948. Decree of the Government]

1. §.: „A jelen rendelet alkalmazásában közületnek tekintetnek: a) az állam […]."

2. §.: „A küzületekkel szemben további rendelkezésig az 1946. évi augusztus hó 1. napját megelőző időben keletkezett követeléseket – tekintet nélkül keletkezésük jogcímére és az esedékesség (lejárat) időpontjára – bírói uton érvényesíteni nem lehet […]."

My translation:

1. §.: For the purposes of this Regulation, the followings shall be considered to be public entities: (a) the State.

2. §.: Until further announcement, claims arising in the period prior to the first day of August, 1946, regardless of the legal grounds and the due date (maturity), may not be enforced in court against public entities.

<u>1030/1949. Korm. rendelet [=1030/1949. Decree of the Government]</u>

1. § (1).: „Az állam, a tövényhatóság, a város a község, ezek vállalatai és üzemei, valamint a pénzintézetek (a továbbiakban: letéti helyek) kötelesek kiselejtezni a birtokukban vagy őrizetükben lévő és magyar állampolgár vagy Magyarországon székhellyel bíró jogi személy tulajdonában álló, illetőleg […] javára letétbe helyezett azokat az értékpapirokat, […] amelyeknek forgalmi értéke nincs."

2. § (1).: „[=a rendelkezés] alá tartoznak 1. a jelen rendelet I. mellékletében felsorolt, állami kibocsátásu értékpapírok […]."

„I. sz. melléklet, Hosszúlejáratú állami adósságok:

4. 4%-kal kamatozó arany járadékkölcsön kötvények (CC. bélyegzés nélkül)."

My translation:

1. § (1).: The state, public authority, city, municipality, along with their companies and plants, as well as the financial institutions (hereinafter referred to as: depositaries) are obliged to weed out securities in their possession or custody owned by or deposited for a Hungarian citizen or a legal person domiciled in Hungary, which represent no market value.

2. § (1).: [= the provision] is applicable for: 1. government securities listed in Annex I. to this Regulation.

Annex I, Long-term government debt:

4. Gold annuity bonds with an interest rate of 4% (without CC stamp) [=Royal Hungarian Bonds].

<u>4246/1949. Minisztertanácsi Rendelet [=4246/1949. Decree of the Council of Ministers]</u>

1. § (1).: „A magyar állampolgárságu természetes személyek, valamint a Magyarországon lévő jogi személyek és cégek […] kötelesek letétbehelyezni (helyeztetni) a jelen rendelet hatálybalépésekor tulajdonukban álló mindazokat az értékpapirokat […] és azok szelvényeit, amelyek kibocsátói külföldi jogi személyek vagy cégek […] és amelyek külföldi pénzértékre szólnak. Az itt megszabott letétbehelyezési kötelezettség terheli a tulajdonoson kívül mindazokat akiknek a rendelet hatálya alá eső értékpapirok birtokában, kezelésében, letétében stb. vannak."

6. §.: „Aki a jelen rendeletben megállapitott letétbehelyezési vagy bejelentési kötelezettségét […] megszegi vagy kijátsza […] büntett miatt 10 évig terjedő fegyházzal büntetendő; ha pedig a kötelezettet csupán gondatlanság terheli, a cselekmény vétség és az 3 évig terjedő fogházzal büntetendő."

My translation:

1. § (1).: Natural persons holding Hungarian citizenship and legal persons along with companies located in Hungary are obliged to deposit (or make deposit) all securities and their coupons owned by foreign legal persons or companies and issued for foreign currency value at the time of entry into force of this Decree. The obligation to deposit set out here applies to all persons other than the holder who hold, manage, deposit, etc. securities covered by this Regulation.

6. §.: Whoever violates or circumvents the deposit or report obligation laid down in this Decree constituting a felony shall be sentenced for up to 10 years; and if the debtor is charged with negligence only, his or her act is considered to be a misdemeanor triggering imprisonment for up to 3 years.

<u>1959. évi IV. törvény [=IV. Act of Parliament in 1959]</u>

115. § (1).: „A tulajdonjogi igények nem évülnek el." […]

115. § (3).: „A tulajdonos követelheti a jogellenes beavatkozás vagy behatás megszüntetését, ha pedig a dolog a birtokából kikerült, követelheti a visszaadását."

324. § (1).: „A követelések öt év alatt elévülnek, ha jogszabály másként nem rendelkezik.”

324. § (2).: „A főkövetelés elévülésével az attól függő mellékkövetelések is elévülnek. A főköveteléstől független mellékkövetelések elévülése a főkövetelést nem érinti.”

325. § (1).: „Az elévült követelést bírósági úton érvényesíteni nem lehet.”

326. § (1).: „Az elévülés akkor kezdődik, amikor a követelés esedékessé vált.”

326. § (2).: „Ha a követelést a jogosult menthető okból nem tudja érvényesíteni, az akadály megszűnésétől számított egy éven belül […] a követelés akkor is érvényesíthető, ha az elévülési idő már eltelt, vagy abból egy évnél, illetőleg három hónapnál kevesebb van hátra.”

My translation:

115. § (1).: Ownership claims do not expire.

115. § (3).: The owner can demand the cessation of the unlawful interference or influence, and if the thing is out of his/her possession, he/she can demand its return.

324. § (1).: Claims expire in five years, unless otherwise provided by law.

324. § (2).: As the principal claim expires, the ancillary claims that depend on it also become statute-barred. The limitation period (expiry) for ancillary claims independent of the principal claim does not affect the principal claim.

325. § (1).: An expired claim cannot be enforced before court.

326. § (1).: The limitation period begins when the claim becomes due.

326. § (2).: If the claim cannot be enforced by the claimant for an excusable reason, the claim may be enforced within one year of the cessation of the obstacle, even if the limitation period has expired or is less than one year or three months left.

86/1987. MT. Rendelet [=86. Decree of the Council of Ministers]

1. §.: „Az 1960. előtt kibocsátott hatályos kormány-, illetőleg minisztertanácsi rendeletek és határozatok felsorolását a rendelet melléklete tartalmazza.”

2. §.: „A mellékletben fel nem sorolt, 1960. január 1-je előtt kibocsátott kormány-, illetőleg minisztertanácsi rendeletek és határozatok hatályukat vesztik.” […]

(A rendelet melléklete nem tartalmazza a 13.110/1948. Korm. rendeletet!)

My translation:

1. §.: The regulations and decisions of the government or the Council of Ministers in force before 1960 are listed in the annex to the decree.

2. §.: Governmental and Ministerial Decrees and Decisions not listed in the Annex of this decree and issued before 1. January, 1960 loose their force.

(The annex to the decree does not contain the 13.110/1948. Decree of the Government!)

<u>325/2000. Verdict of the Supreme Court of Hungary</u>

„Nem osztotta viszont a Legfelsőbb Bíróság az alperes [=magyar állam] jogi álláspontját, miszerint a számjegyzékbe vett perbeli értékpapírban külföldi pénznemben meghatározott követelés a számjegyzékbe vétellel pengőköveteléssé alakult át és emiatt értékét vesztette.”

[…] „a pénzügyminiszter […] arról rendelkezett, hogy az egyes lejárt követelések pengő ellenértékét az esedékesség napján érvényes hivatalos devizaárfolyamon kell megállapítani.”

„Az 1941-ben kibocsátott hirdetménnyel csupán az ún. lerovó pénznem változott oly módon, hogy a svájci frankot az esedékességkor pengőre váltják át.”

„A lerovó pénznemben való fizetés lehetetlenné válása azonban nem tette lehetetlenné és ezáltal nem szüntette meg a fennálló tartozásnak a kirovó pénznemben –svájci frankban- való kifizetését. A követelés tehát svájci frankban fennmaradt, és annak lejárata folytán köteles azt az állam a belföldi törvényes fizetőeszközben a kötvény tulajdonosának kifizetni.”

„A Perbeli követelés a 13110/1948. Korm. rendelet 2. §-a, illetve 4. §-a szerint -további rendelkezésig- bírósági úton nem volt érvényesíthető. A 86/1987. MT. rendelet folytán a fenti kormányrendelet hatályát vesztette, így 1988. január 1-től kezdődően az igény érvényesíthetővé vált.”

My translation:

However, the Supreme Court of Hungary did not share the legal position of the defendant [= Hungarian state] that the claim embodied in the foreign currency denominated bond, which was [previously] registered and converted into a pengő claim upon registration and therefore lost its value.

The Minister of Finance provided [in 1941] that the pengő value of each matured coupon should be set at the official exchange rate applicable on the due date

With the announcement issued in 1941, only the currency in which the final payment is carried out has changed from the Swiss franc to the pengő at maturity.

However, the impossibility of payment in the debit currency did not make it impossible and thus did not eliminate the payment of debt in the original denomination currency, the Swiss franc. The claim therefore remained in Swiss francs and, due to its maturity, the [Hungarian] State is obliged to pay it to the holder of the bond in domestic legal unit of account.

The claim in question was not enforceable due to 13110/1948. Decree of the Government, in particular according to 2. § and 4. § until further notice. As a result of 86/1987. Decree of the Council of Ministers, the abovementioned Decree of the Government has lost its force, so that the claim became enforceable from the 1st of January, 1988 onwards.

953/2003. Verdict of the Supreme Court of Hungary

„A kötvények, illetőleg az ideiglenes kötelezvény a felperes birtokában voltak, ezeket a kibocsátó a felperes részére kiadta, így a jogvita tárgya nem lehet a kötvényekkel kapcsolatos tulajdoni igény.”

[…] „az a körülmény, hogy a követelés érvényesíthetőségéről a jogszabály ismeretének hiányában nem volt tudomása [a felperesnek], illetőleg, hogy e vonatkozásban a perben nem álló pénzintézeti központtól, valamint az I. r. alperest [magyar állam] képviselő

Pénzügyminisztériumtól olyan értelmű tájékoztatást kapott, hogy a követelés érvényesítésére nincs mód, menthető oknak nem tekinthető."

My translation:

The bonds along with the temporary receipt were in the possession of the plaintiff, as they were delivered by the issuer to the plaintiff, so the subject matter of the dispute cannot be an ownership claim related to the bonds.

The fact that the plaintiff was not aware of the enforceability of the claim in the absence of knowledge of the law, cannot be considered an excusable reason. Similarly, it is not an excusable reason either, that the plaintiff received such information, that it is not possible to enforce the claim from one hand from the Financial Institution Cernter not involved in this proceeding, on the other hand from the Ministry of Finance representing the defendant [Hungarian state].

2013. évi V. törvény [=V. Act of Parliament in 2013]

5:35. §.: „A tulajdoni igények nem évülnek el."

6:22. § (1).: „Ha e törvény eltérően nem rendelkezik, a követelések öt év alatt évülnek el."

6:22. § (2).: „Az elévülés akkor kezdődik, amikor a követelés esedékessé válik."

6:23. § (1).: „Ha e törvény eltérően nem rendelkezik, az elévült követelést bírósági eljárásban nem lehet érvényesíteni." […]

6:24. § (1).: „Ha a követelést a jogosult menthető okból nem tudja érvényesíteni, az elévülés nyugszik."

6:24. § (2).: „Ha az elévülés nyugszik, az akadály megszűnésétől számított egyéves […] határidőn belül a követelés akkor is érvényesíthető, ha az elévülési idő már eltelt, vagy abból egy évnél […] kevesebb van hátra."

6:24. § (3).: „A főkövetelés elévülésével az attól függő mellékkövetelések is elévülnek. A mellékkövetelések elévülése a főkövetelés elévülését nem érinti."

My translation:

5:35. §.: Property claims do not expire.

6:22. § (1).: Unless otherwise provided by this Act, claims shall lapse (expire) within five years.

6:22. § (2).: The limitation (expiry) period begins when a claim becomes due (matures).

6:23. § (1).: Unless otherwise provided by this Act, an expired claim may not be enforced in court proceedings.

6:23. § (3).: As the principal claim expires, the ancillary claims that depend on it also become statute-barred. The limitation period (expiry) for ancillary claims independent of the principal claim does not affect the principal claim.

6:24. § (1).: If the claim cannot be enforced by the claimant for an excusable reason, the limitation period is suspended.

6:24. § (2).: If the limitation period is suspended, the claim may be enforced within one year of the cessation of the obstacle even if the limitation period has expired or is less than one year left.

6:24. § (3).: As the principal claim expires, the ancillary receivables that depend on it also expire. The limitation period for ancillary claims does not affect the limitation period for the principal claim.

Hungarian literature

Mihályi Péter, MTA: Rendszerváltás és elitcsere 1945. után, 2018. 25. oldal [=Péter Mihályi, Hungarian Academy of Sciences: Change of regime and elite after 1945, 2018 page 25.]

„Az állampárt […] 1949. szeptember 7-én rendelte el, hogy valamennyi magyar tulajdonban lévő értékpapírt letétbe kell helyezni a Pénzintézeti Központban. Ez meg is történt, de a letétbe helyezett papírok tényleges államosítására nem került sor. Elsősorban azért nem, hogy ily módon lehessen megkerülni a tulajdonosok kártalanítását."

My translation:

On 7 September, 1949, the state party [=the Hungarian communists] ordered that all Hungarian-owned securities should be deposited in the Financial Institutions Center. This has happened, but no actual nationalization of the deposited securities has taken place. The reason for this was primarily to circumvent the compensation of the owners in this way.

Hungarian parliamentary documents

A nemzetgyűlés 540. ülése 1926. évi április hó 28-án, szerdán (jegyzőkönyv, 72-74. oldalak) [=540th session of the National Assembly held on Wednesday, April 28, 1926 (protocol page 72-74.)

Strausz István (képviselő): „[…] Az államadósságoknál azt látjuk, hogy több mint 60%-kal csökkentek az adósságterhek. […] Mindenki tudja, hogy ez honnan ered. Onnan, hogy a magyar állampolgárok kezében lévő államadóssági kötvények után fizetik a kamatot papírkoronában: ugyanis sem a háboru előtti, sem a háboru alatti adósságot nem valorizálták. […] Azt mondja a pénzügyi kormány, hogy nem valorizál. Épen ezért részletesebben kívánok ezzel a kérdéssel foglalkozni. [Déhr Imre (képviselő) *közbekiabál*: Az állam nem bírja el ezt a terhet!] […] Kérdem, hogy amikor a külföld képviselői azt mondották, hogy mi a külföldi kézben lévő, a magyar kötvények után valorizációt kívánunk, […] hogyan történhetett meg az, hogy […] nem állíották szembe azt, hogy nekünk is valorizálnunk kell a magyar állam polgárainak javára. Adósságunk tehát nem annyi, mint amennyit vél a bizottság nekünk hagyni és Trianon valorizált a mi terhünkre. […] Azt mondja Déhr képviselő úr, hogy nem lehet valorizálni, mert nincs fedezet. […] Ki felelős ezért?"

My translation:

István Strausz (member of the parliament): In the case of public debt, we see a reduction of more than 60%. Everyone knows where this comes from. From the fact that the interest on the government bonds held by Hungarian citizens is paid in paper crowns. Neither pre-war nor post-war debt was valorized [=revalued]. The government says it has no intention of valorizing. That is the reason why I want to address this issue in more detail. [Imre Déhr (member of the parliament) shouts: The state cannot bear this expense!] I would like to ask how is it possible, that the representatives of foreign countries said that we want valorisation for the Hungarian bonds held by foreigners, but they at the same time disregarded the fact, that we should also valorize for the benefit of the citizens of the Hungarian state. So our debt is not as much as the commission [=Reparation Commission] thinks it should be left to us and Trianon has valorized for our disadvantage. Mr Déhr says that there is no room for valorisation due to the lack of financial cover. Who is responsible for this?

<u>Az országgyűlés felsőházának 29. ülése 1928. évi március hó 21-én, szerdán (jegyzőkönyv 164-175. oldalak) [=29th session of the Upper House of Parliament held on Wednesday, March 21, 1928 (protocol page 164-175.)]</u>

Báró Szterényi József (képviselő): „[…] Teleszki János tegnap említette azt az igazságtalanságot, amelyet a jóvátételi-bizottság Magyarországgal szemben ezeknek az adósságoknak felosztása alkalmával elkövetett. Igen, a felosztási kulcs, amely a mai Magyarországra és az utódállamokra vonatkozik, ugy állapittatott meg, hogy a mai

Magyarországra 45.733%-a jutott ezeknek az államadósságoknak, 13.033%-kal több, mint ami területileg minket érhetett volna és 4.133%-kal több, mint ami a mi megmaradt népességünknél fogva reánk jutott volna. […] Igen ám, a külföldnek valorizál a kormány, de itthon megtagadja a kötelezettségek teljesítését. […] A békeszerződés mindazt a fizetést, amelyet idegen értékben vagy aranyban fizettetni akart, expressis verbis megállapította."

Pap József (képviselő): „[…] Arra az álláspontra helyezkedett a m. kir. Kuria, hogy az adós csak akkor teljesítheti igazán és valóban kötelezettségét, hogy ha de facto annyit fizet, mint amennyit de facto annak idején kapott. Aki aranyat kapott, arany értéket vett fel, az nem tesz eleget fizetési kötelezettségének azáltal, hogy rossz papírkoronával fizet. A nagyméltóságú m. kir. Kuria egy határozatában nagyszerűen fejtette ki, hogy tulajdonképpen mi is a valorizáció célja, mi a valorizáció alapja és mi az oka annak, hogy valorizálni kell. Azt mondja az 5637/925. számu határozatában, hogy a valorizációnak nincs más alapja, mint a pénz leromlása, nincs más célja, mint a megfelelő érték kiegyenlítése, mert akkor, amikor a felperes valorizálva követeli a neki járó összeget, csak azt követeli, ami neki jár, és nem követel többet. […] Nincs tehát semmi jogalap, amely mellett ki lehetne venni a valorizálandó követelések közül az államnak a tartozásait. […] ha szemügyre veszem, hogy milyen célra adatott a hadikölcsön, milyen körülmények között adatott és hogyan ígérték a hadikölcsönök visszafizetését. Végszükségben fordult az állam polgáraihoz és a háborura utalással kérte, járuljanak hozzá a költségek fedezéséhez. Ez kérelem alakjában nem ment olyan simán és egyszerűen. Itt a rábeszélésnek és presszionak egész sorozatával találkoztunk. Ha valaki hadikölcsönt jegyzett, azt hazafiui ténynek minősítették, aki pedig nem jegyzett, holott jegyezhetett volna, azt közmegvetésnek tették ki."

Gróf Hadik János (képviselő): „[…] Hogy ez nem vezet katasztrófára, azt látjuk az osztrák és a cseh példán. Ott ma nincs szó hadikölcsönök valorizációjáról. Miért? Mert abban az időben, amikor még lehetett, ott azokat összevásárolták, megengedték, hogy adóba befizessék. – Nálunk is részben ezt megengedték, de ez nem volt elegendő, hogy a bajt elhárítsa. – Ott elháritották azt a veszedelmet, hogy később mindenki a teljes értékben való valorizációt követelje, amire az állam azután kénytelen kijelenteni, hogy az lehetetlen."

My translation:

baron József Szterényi (member of the parliament): János Teleszki mentioned yesterday the injustice that the Reparation Commition had committed against Hungary in allocating these debts. The portions, which applies to today's Hungary as well as the successor states, imposed 45.733% of these public debts on today's Hungary, 13.033% more than it could have been territorially and 4.133% more than which could have been given to us based on our remaining population. Yes, the government valorizes for bondholders from abroad, but it refuses to fulfill its obligations regarding domestic bondholders. The peace treaty [=Peace Treaty of Trianon] stated expressis verbis all the expenses it wanted us to pay in foreign value or gold.

József Pap (member of the parliament): The Hungarian Royal Kuria [=Supreme Court of Hungary] took the position that the debtor could only truly fulfill her obligation if she paid de facto as much as she had de facto received at the time. Who has received gold, has taken on the value of gold, will not fulfill her obligation by paying with bad paper crown. In a verdict, the noble Hungarian Royal Kuria explained in a great way what the purpose and basis of valorisation are and what is the reason for valorisation. It says in 5637/925. verdict, that there is no basis for valorisation other than the deterioration of money, there is no purpose other than to equalize the corresponding value, as when the plaintiff valoriously demands the amount due to her, she demands only what is due to her and demands no more. Therefore, there is no legal basis for excluding the debts of the State from the claims to be valorised. I will look at the purpose and circumstances under which the military loan was given and how it was promised to be repaid. The State turned to its citizens in an emergency and asked for a contribution to cover the costs with reference to the war. It did not go so smoothly and simply in the form of a request. Here we encountered a whole series of persuasion and repression. If someone subscribed a war bond, it was classified as a patriotic fact, and someone who did not, even though they could have done so, was exposed to public contempt.

count János Hadik (member of the parliament): This does not lead to disaster as it is demonstrated by the Austrian and Czech examples. There is no question today about the valorisation of military loans. Why? Because at the time they could, they [=war bonds originating from Austria-Hungary] were bought back, additionally, [citizens] were allowed to pay taxes [by submitting these bonds] - In Hungary too, this was partly allowed, but it was not enough to avoid the trouble.- There, they averted the danger that later everyone would demand valorisation in full, for which the state is then forced to declare it is impossible.

Az országgyűlés képviselőházának 291. ülése 1929. május 13-án, hétfőn (jegyzőkönyv 201. oldal) [=291st session of the House of Representatives held on Monday, May 13, 1929 (protocol page 201.)]

Pakots József (képviselő): „[…] Van azonban t. képviselőtársaim, még egy Trianon. A másik Trianon az, amelyet elkövetett ez a kormány a társadalom egy részével, amikor a valorizáció kérdését nem fogta fel komolyan és amikor egész nagy nemzeti vagyont semmisített meg. Azzal, hogy a hadikölcsönkötvénytulajdonosok […] vagyona elveszett, amikor az aranyjáradékokban […] fekvő vagyonok elpusztultak azért, mert a kormány a valorizáció elől kitért, voltaképpen a nemzeti vagyonnak körülbelül egyharmadát pusztította el és dolgos életeknek nehéz, keserves munkával felépített eredményeit semmisítette meg a kormány. […] Hiába helyezkednek arra az álláspontra, hogy ma egy valorizáció megrendítené az államháztartás egyensúlyát, mert ebben nincsen őszinteség és nincsen igazság."

My translation:

József Pakots (member of the parliament): However, respected fellow Members, there is another Trianon. The other Trianon is what this government did to a portion of society, when it did not take the issue of valorization seriously and when it destroyed a considerable amount of national wealth. With the loss of the wealth of war bond holders, when the assets in gold annuities were destroyed just because the government evaded valorisation, it was in fact destroying about one third of the national wealth and destroying the result of hardly-earned, bitter work. It is pointless to take the view that a valorisation would upset the balance of public finances today, because there is no honesty let alone truth in that.

<u>Az országgyűlés képviselőházának 393. ülése 1930. évi május hó 16-án, pénteken (jegyzőkönyv 98. oldal) [=The 393rd session of the House of Representatives held on Friday, May 16, 1930 (protocol page 98.)]</u>

Baracs Marcell (képviselő): „[…] Már mások is rámutattak arra, hogy itt van […] a trianoni szerződésben vállalt az a kötelezettségünk, mely a háború előtti adósságok 100%-os megfizetésére vonatkozik."

My translation:

Marcell Baracs (member of the parliament): Others have already pointed out that here is our commitment in the Treaty of Trianon to pay 100% of our pre-war debts.

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Jelentése a magyar királyi pénzügyministernek a […] 1892. évi XXI. törvénycikk végrehajtásáról [=Report of the Royal Hungarian Minister of Finance on the implementation of XXI. Act of Parliament in 1892]

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