

No. 136

**UNITED KINGDOM OF GREAT BRITAIN AND
NORTHERN IRELAND**

**and
IRAQ**

Financial Agreement. Signed at London, on 13 August 1947

English official text communicated by the Permanent United Kingdom Representative to the United Nations. The registration took place on 31 October 1947.

**ROYAUME-UNI DE GRANDE-BRETAGNE ET
D'IRLANDE DU NORD**

**et
IRAK**

Accord financier. Signé à Londres, le 13 août 1947

Texte officiel anglais communiqué par le représentant permanent du Royaume-Uni auprès de l'Organisation des Nations Unies. L'enregistrement a eu lieu le 31 octobre 1947.

No. 136. FINANCIAL AGREEMENT¹ BETWEEN THE GOVERNMENT OF THE UNITED KINGDOM AND THE GOVERNMENT OF IRAQ. SIGNED AT LONDON, ON 13 AUGUST 1947

The Government of the United Kingdom of Great Britain and Northern Ireland (hereinafter referred to as "the Government of the United Kingdom") of the one part and the Government of Iraq of the other part have agreed as follows:—

Article I

1. The totals of the sterling assets held at the close of business on 14th July, 1947, by the Government of Iraq, by the Iraq Currency Board, and by each Iraqi bank and each office in Iraq of any other bank (which Iraqi banks and offices in Iraq are hereinafter referred to as "banks in Iraq") shall be established by arrangement between the two contracting Governments.

2. The sterling assets of the Government of Iraq, of the Iraq Currency Board and of each bank in Iraq, as so established, shall be transformed forthwith to new Accounts (hereinafter referred to as "No. 2 Accounts") to be opened with one or more banks in the United Kingdom by the Government of Iraq, the Iraq Currency Board or the bank in Iraq, as the case may be.

3. (a) No. 2 Accounts shall be operated in accordance with the provisions of paragraph 4 of this Article and any sums standing to the credit of the said Accounts shall be available only for the purposes prescribed in that paragraph.

(b) The Government of the United Kingdom shall not restrict transfers of sterling assets from one No. 2 Account to another such Account.

4. (a) The No. 2 Accounts shall be credited with:—

- (i) The sterling assets referred to in paragraph 2 above and the amounts of interest referred to in paragraph 1 of Article VII,
- (ii) Transfers from other No. 2 Accounts,

¹ Came into force on 15 July 1947, in accordance with paragraph 1 of Article XII.

- (iii) Any sums paid to the Government of Iraq by the Government of the United Kingdom on or after 15th July, 1947, for services rendered to the United Kingdom Forces before 15th July, 1947,
 - (iv) The proceeds at maturity or on realisation of any investments held on a No. 2 Account or purchased, in accordance with the policy agreed between the two contracting Governments, with funds standing to the credit of a No. 2 Account,
 - (v) Transfers from No. 1 Accounts in accordance with paragraph 2 of Article VIII of this Agreement,
 - (vi) Such other transfers as may be agreed between the two contracting Governments.
- (b) The No. 2 Accounts shall be debited with:—
- (i) Releases in accordance with Articles IV, V and VI and paragraph 2 of Article VII of this Agreement,
 - (ii) Transfers to other No. 2 Accounts,
 - (iii) Payments in respect of investments made in accordance with the policy agreed between the two contracting Governments and to be held on No. 2 Accounts,
 - (iv) Transfers to No. 1 Accounts in accordance with paragraph 2 of Article VIII of this Agreement,
 - (v) Such other transfers as may be agreed between the two contracting Governments.

Article II

1. Any sterling received on or after 15th July, 1947, by the Government of Iraq or the Iraq Currency Board or banks in Iraq in respect of current transactions together with any sums released from No. 2 Accounts, in accordance with Articles IV, V and VI and paragraph 2 of Article VII of the present Agreement, shall be credited to new Accounts (herein referred to as "No. 1 Accounts").

2. The Government of the United Kingdom shall not restrict the availability of sterling standing to the credit of No. 1 Accounts for payments for current transactions in any currency area, or for the purpose of any payment to residents of the sterling area (including transfers to another No. 1 Account).

Article III

If balances on accounts with banks in the United Kingdom held by residents of Iraq, other than banks or the Iraq Currency Board, are at any time requisitioned by the Government of Iraq these balances shall, to the extent that they are paid over to the Government of Iraq (either directly or through agencies), be credited to the No. 2 Accounts of the Government of Iraq.

Article IV

1. There shall be released from the No. 2 Accounts of each bank in Iraq an amount equal to the outstanding liability as at the close of business on 14th July, 1947, in respect of credits opened at the request of the bank in Iraq by a bank in the United Kingdom and confirmed by one of its offices in the United Kingdom.

2. The amount to be released from the No. 2 Accounts of a bank in Iraq under the provisions of paragraph 1 above, shall not exceed the amount of the sterling assets held by that bank, as at the close of business on 14th July, 1947, with the bank in the United Kingdom which has opened the above-mentioned confirmed credits.

3. The sums released under paragraph 1 of this Article shall be transferred to No. 1 Accounts in the name of the bank in Iraq with the banks in the United Kingdom.

4. The choice of the particular sterling assets to be transferred to No. 1 Accounts in accordance with paragraph 3 of this Article shall rest with the bank owning the assets.

Article V

1. There shall be released from the No. 2 Accounts of the Iraq Currency Board to the No. 1 Accounts of that board:—

(a) the sum of £15 million over the five-year period beginning 15th July, 1947, and ending 14th July, 1952, as follows:—

in each of the first two periods of twelve months beginning 15th July, 1947, and 15th July, 1948 respectively a sum not exceeding £4 million; thereafter, the remainder of the £15 million in three equal twelve-monthly instalments over the period from 15th July, 1949, to 14th July, 1952;

- (b) the equivalent of any portion remaining unspent at the close of business on 14th July, 1947, of the scarce currencies provided by the Government of the United Kingdom for the Government of Iraq under the scarce Currency Agreement made between the said Governments in May 1945¹ (as finally extended in February 1947².)

2. There shall also be released from the No. 2 Accounts of the Iraq Currency Board to the No. 1 Accounts of that Board:—

- (a) The equivalent of any sums paid after 14th July, 1947, by the Government of Iraq to the Government of the United Kingdom from a No. 1 Account:—
- (i) in respect of military supplies purchased before 15th July, 1947, and not paid for before that date, and
 - (ii) in respect of surplus military stores, equipment or fixed assets in Iraq on 14th July, 1947, and disposed of by the Government of the United Kingdom to the Government of Iraq at any time;
- (b) The equivalent in sterling of any sums realised by the Government of the United Kingdom in Iraq currency after 14th July, 1947, from the sale, other than to the Government of Iraq, of surplus military stores, equipment or fixed assets in Iraq on that date;
- (c) The equivalent of any sums paid on or after 15th July, 1947, from a No. 1 Account by the Government of Iraq, the Iraq State Railways or the Directorate of the Port of Basra in respect of orders placed by them with the Crown Agents for the Colonies on which deposits were made by them before 15th July, 1947, with the Crown Agents for the Colonies;
- (d) The equivalent of any sums paid on or after 15th July, 1947 by the Government of Iraq.
- (i) in repayment of the sum of £4,239,737 13s. 4d., being the outstanding amount of advances made to that Government by the Iraq Petroleum Co., Ltd., B.O.D. Co., Ltd., and Basra Petroleum Co., Ltd., under the Agreement dated 25th May, 1939 (concerning advances from the said Companies to the Government of Iraq)

¹ Great Britain, "Iraq No. 1 (1945)," Cmd. 6646.

² Great Britain, "Iraq No. 1 (1947)," Cmd. 7110.

and by the Iraq Petroleum Co., Ltd., Mosul Petroleum Co., Ltd. and Basra Petroleum Co., Ltd., under the Supplemental Agreement dated 22nd March, 1943;

- (ii) in payment of the sum of £108,174 15s. 5d., being the outstanding amount of the principal of the debt owing to the Government of the United Kingdom in respect of the Port of Basra, under the arrangements entered into in 1922 and 1923 regarding the transfer by the Government of the United Kingdom to the Government of Iraq of the administration of the said Port¹.

The releases under (a), (c) and (d) shall be made at the time the payment is made by the Government of Iraq or the Iraqi authority concerned. The release under (b) shall be made as soon as practicable after the end of each month.

Article VI

In addition to the releases provided for in Article V of the present Agreement there shall be released from the No. 2 Accounts of the Iraq Currency Board to the No. 1 Accounts of that Board the following sums:—

- (a) £2 million as a working balance on which the Government of Iraq may draw from time to time to meet any temporary shortage in Iraq's available means of payment abroad,
- (b) £5 million as a special provision to facilitate for the Government of Iraq the transition from the circumstances prevailing before 15th July, 1947, to the circumstances prevailing after the present Agreement comes into force.

Article VII

1. Notwithstanding anything in Article II of the present Agreement, interest received by the Iraq Currency Board after 14th July, 1947, on its sterling assets shall be credited, in the first instance, to the Board's No. 2 Accounts.

2. There shall be released from the Board's No. 2 Accounts to its No. 1 Accounts at such times as may be agreed between the two contracting Governments:—

¹ *British and Foreign State Papers*, Volume 119, page 389.

- (a) A sum equivalent to interest on the total sterling assets of the Board as at 3rd September, 1939, calculated from time to time at the overall average rate earned by way of interest on the total sterling assets of the Board, whether interest-bearing or not;
- (b) A sum equal to interest at one-half of one per cent. per annum on the difference between the Board's total sterling assets from time to time and the Board's total sterling assets at 3rd September, 1939.

3. Such part of the sterling assets of the Board standing from time to time in the Board's No. 2 Accounts as is equivalent to the aggregate of the difference between the sums credited to the No. 2 Accounts under the provisions of paragraph 1 above and the sums released to the No. 1 Accounts under the provisions of paragraph 2 above shall not carry interest.

Article VIII

1. To the extent that transfers of capital between Iraq and the other countries of the sterling area or *vice versa* are permitted under the Exchange Control regulations in force in Iraq and in the other countries of the sterling area respectively, such transfers shall initially take place by the debit or credit of sterling to accounts of residents of Iraq with banks in the United Kingdom, other than No. 2 Accounts.

2. At such intervals as may be agreed, the two contracting Governments shall consult together in order to establish, by reference to the best statistical data available to them, the net capital movement from Iraq to the other countries of the sterling area or *vice versa*, as the case may be. Thereafter an amount equal to the net capital movement so established shall be transferred from No. 2 Accounts to No. 1 Accounts if the movement is one from Iraq to the other countries of the sterling area or from No. 1 Accounts to No. 2 Accounts if the movement is in the reverse direction, provided that the two contracting Governments may agree that particular capital movements or particular classes of capital movement shall be excluded from the computations for which this paragraph provides.

Article IX

The two contracting Governments shall as often as may be necessary consult together with a view to ensuring the smooth working of the present Agreement.

Article X

The two contracting Governments agree to keep each other informed on matters affecting their respective Exchange Controls.

Article XI

For the purposes of the present Agreement:—

(a) “Sterling assets” include:

- (i) current and deposit accounts with banks in the United Kingdom (after deduction of debit balances),
- (ii) money wherever held at call or notice in the United Kingdom,
- (iii) advances in sterling,
- (iv) United Kingdom Treasury Bills,
- (v) commercial and other bills in sterling, and
- (vi) sterling securities of all kinds,

but do not include:—

- (vii) securities or other assets held in safe custody for customers other than the Government of Iraq, the Iraq Currency Board and banks in Iraq,
 - (viii) sterling assets held as at the close of business on 14th July, 1947, by the Crown Agents for the Colonies in respect of deposits made by the Government of Iraq or the Iraq State Railways or the Directorate of the Port of Basra in connection with orders placed by them prior to 15th July, 1947, with the Crown Agents for the Colonies.
- (b) The expression “sterling area” shall have the meaning from time to time assigned to it by the Exchange Control Regulations in force in the United Kingdom. After the coming into force in the United Kingdom of the Exchange Control Act, 1947, the expression “sterling area” wherever it occurs in the present Agreement shall be deemed to have been replaced by the expression “scheduled territories” which shall have the meaning from time to time assigned to it in the aforesaid Exchange Control Act, 1947.

- (c) The expression “payments for current transactions” shall have the same meaning as in Article XIX (i) of the Articles of Agreement of the International Monetary Fund¹.

Article XII

1. The present Agreement shall be deemed to have come into force on 15th July, 1947.

2. It shall terminate on 14th July, 1952.

3. The two contracting Governments will consult together before the termination of the present Agreement with a view to replacing it by another Agreement.

IN WITNESS WHEREOF the undersigned Plenipotentiaries, being duly authorised thereto by their respective Governments, have signed the present Agreement and have affixed thereto their seals:

DONE at London this thirteenth day of August, 1947, in duplicate.

For the Government of the United Kingdom:

[L.S.] Hugh DALTON

For the Government of Iraq:

[L.S.] ZAID

¹ United Nations, *Treaty Series*, Volume 2, page 39.