

**No. 312**

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

**Financial Agreement, signed at Ottawa, on 6 March 1946,  
and Exchanges of Notes concerning the entry into force  
of the Agreement, Ottawa and London, 6 March 1946,  
and Ottawa, 30 May and 16 July 1946**

*English official text communicated by the Secretary of State for External Affairs  
of Canada. The registration took place on 1 December 1948.*

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

**Accord financier, signé à Ottawa, le 6 mars 1946, et échanges  
de notes concernant l'entrée en vigueur de l'Accord,  
Ottawa et Londres, 6 mars 1946, et Ottawa, 30 mai et  
16 juillet 1946**

*Texte officiel anglais communiqué par le Secrétaire d'Etat aux affaires extérieures  
du Canada. L'enregistrement a eu lieu le 1er décembre 1948.*

No. 312. FINANCIAL AGREEMENT<sup>1</sup> BETWEEN THE GOVERNMENT OF CANADA AND THE GOVERNMENT OF THE UNITED KINGDOM. SIGNED AT OTTAWA, ON 6 MARCH 1946

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The Government of Canada and the Government of the United Kingdom of Great Britain and Northern Ireland agree as follows:

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*Article 1*

CREDIT

The Government of Canada will extend to the Government of the United Kingdom a credit of \$1,250,000,000 which may be drawn upon at any time prior to December 31, 1951.

*Article 2*

PURPOSE OF THE CREDIT

The purpose of the credit is to facilitate purchases by the United Kingdom of goods and services in Canada and to assist in making it possible for the United Kingdom to meet transitional post-war deficits in its current balance of payments, to maintain adequate reserves of gold and dollars and to assume the obligations of multilateral trade.

*Article 3*

AMORTIZATION AND INTEREST

(i) The amount of the credit drawn by December 31, 1951, shall be repaid in 50 annual instalments beginning on December 31, 1951, with interest at the rate of 2 per cent per annum. Interest for the year 1951 shall be computed on the amount outstanding on December 31, 1951, and for each year thereafter interest shall be computed on the amount outstanding on January 1 of each such year.

Forty-nine annual instalments of principal repayments and interest shall be equal, calculated at the rate of \$3,182,300 for each \$100,000,000 of the credit

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<sup>1</sup> Came into force on 30 May 1946, with the exception of articles 5, 6, and 7 which came into force on 16 July 1946, the dates of entry into force having been agreed upon, in accordance with article 9, by the two Governments in the exchanges of notes of 30 May and 16 July 1946 respectively.

drawn by December 31, 1951, and the fiftieth annual instalment shall be at the rate of \$3,184,073,665 for each such \$100,000,000. Each instalment shall consist of the full amount of the interest due and the remainder of the instalment shall be the principal to be repaid in that year. Payments required by this Article are subject to the provisions of Article 4.

(ii) The Government of the United Kingdom may accelerate repayment of the amount drawn under this credit.

#### *Article 4*

##### WAIVER OF INTEREST PAYMENTS

In any year in which the Government of the United Kingdom requests the Government of Canada to waive the amount of the interest due in the instalment of that year, the Government of Canada will grant the waiver if:—

(a) The Government of the United Kingdom finds that a waiver is necessary in view of the present and prospective conditions of international exchange and the level of its gold and foreign exchange reserves; and

(b) The International Monetary Fund certifies that the income of the United Kingdom from home-produced exports plus its net income from invisible current transactions in its balance of payments was on the average over the five preceding calendar years less than the average annual amount of United Kingdom imports during 1936-1938, fixed at 866 million pounds as such figure may be adjusted for changes in the price level of these imports. If waiver is requested for an interest payment prior to that due in 1955, the average income shall be computed for the calendar years from 1950 through the year preceding that in which the request is made; and

(c) Interest payments due in that year on any credit made available to the Government of the United Kingdom to which a similar provision for waiver of interest applies are also waived.

#### *Article 5*

##### EXCHANGE AND IMPORT ARRANGEMENTS

The Government of the United Kingdom and the Government of Canada agree that, in respect of (a) the operation of exchange controls and arrangements, and (b) quantitative import restrictions, each will grant to the residents and products of the other, treatment not less favourable than that provided for

in any instrument of agreement with the Government of any other country signed prior to the date of this Agreement.

*Article 6*

OUTSTANDING INTEREST-FREE LOAN

The two Governments agree that the interest-free provision of the loan made to the Government of the United Kingdom under the War Appropriation (United Kingdom Financing) Act, 1942, will continue until January 1, 1951, and that the other arrangements with regard to the loan will continue as at present until that date. The two Governments agree to enter into discussions before January 1, 1951, with regard to the question of interest on, and the terms of repayment of, any balance of the loan then outstanding.

*Article 7*

BRITISH COMMONWEALTH AIR TRAINING PLAN

The Government of Canada agrees to cancel the amount owing by the Government of the United Kingdom to the Government of Canada with respect to the British Commonwealth Air Training Plan, which amount the two Governments agree is \$425,000,000.

*Article 8*

CONSULTATION ON AGREEMENT

The two Governments agree that they will consult with each other as they may deem necessary on the working of any provision of this Agreement, and that if in the opinion of either Government reconsideration of this Agreement is justified by the prevailing conditions of international exchange or by any major change in the international financial situation which materially alters the prospective benefits and obligations flowing from this Agreement they will forthwith consider what changes in its provisions they should agree to make. Any changes agreed upon by the two Governments will be subject to such legislative approval as may be necessary.

*Article 9*

ENTRY INTO FORCE

This Agreement is made subject to such legislative approval as may be necessary and shall enter into force in whole or in part at such time or times as shall be agreed upon by the two Governments.

IN WITNESS WHEREOF the undersigned, being duly authorized thereto by their respective Governments, have signed this Agreement.

SIGNED in duplicate at Ottawa, this sixth day of March, 1946.

For the Government of Canada:

J. L. ILSLEY  
Minister of Finance

For the Government of the United Kingdom:

Malcolm MACDONALD  
High Commissioner for the United  
Kingdom

## EXCHANGES OF NOTES

### I

*The Canadian Minister of Finance to the United Kingdom Chancellor of the Exchequer*

Ottawa, 6th March, 1946

Dear Chancellor of the Exchequer,

On the occasion of the signature of the financial agreement between the Government of the United Kingdom and the Government of Canada, I should like to place on record our understanding regarding the entry into force and implementation of this agreement in relation to the action by the United States Congress on the financial agreement between the Government of the United Kingdom and the Government of the United States, signed at Washington on December 6, 1945.

The agreement between the United Kingdom and Canada has been drawn up in the expectation that the Anglo-American agreement will be approved by Congress and will enter into force some time during the current year. If, however, Congress does not approve the Anglo-American agreement, our understanding is that, in the terms of Article 8 of our agreement, a major change would have occurred in the international financial situation, which would materially alter prospective benefits and obligations flowing from our agreement,

and that consequently it would be necessary forthwith to consider what changes in the provisions of our agreement the two Governments should agree to make, subject to such legislative approval as may be necessary. In these circumstances, it is also our understanding that Articles 5, 6, and 7 of our agreement will not be implemented until it is known whether the United States Congress has approved the Anglo-American agreement. I agree, however, that these articles are to be implemented immediately Congress approves the agreement.

I should appreciate it if you would confirm that the above understanding is in accordance with that of your Government,

Yours very truly,

J. L. ILSLEY

## II

*The United Kingdom Chancellor of the Exchequer  
to the Canadian Minister of Finance*

### TREASURY

London, 6th March, 1946

Dear Mr. Ilsley,

I have received your letter of 6th March on the relation between the implementation of our Agreement and the action of Congress on the Anglo-American Agreement.

I confirm that my understanding of the position is the same as yours.

Our Agreement is of the greatest value to the common interests of our two countries, and I take this opportunity of expressing to you my most sincere appreciation of the action of your Government.

Yours sincerely,

Hugh DALTON

## III

*The Canadian Minister of Finance to the High Commissioner for the United Kingdom*

DEPARTMENT OF FINANCE

Ottawa, May 30th, 1946

Dear Sir:

Article 9 of the financial Agreement between the Government of Canada and the Government of the United Kingdom which was signed on March 6, 1946, provides that the Agreement is made subject to such legislative approval as may be necessary and shall enter into force in whole or in part at such time or times as shall be agreed upon by the two Governments.

The Agreement has been approved by the Parliament of Canada by an Act entitled The United Kingdom Financial Agreement Act, 1946, which was assented to on the 28th day of May last. A proclamation is being issued to-day bringing the Act, except sections 4 and 5, into force on May 30th, 1946.

It now remains for the two Governments to agree upon the time or times when the Agreement in whole or in part should come into force.

You will recall my letter of March 6, 1946 to the Chancellor of the Exchequer and his reply of the same date in which it was agreed that Articles 5, 6, and 7 of the Agreement would not be implemented until it was known whether the United States Congress approved the Anglo-American Agreement. By these letters it was also agreed that if Congress did not approve the Anglo-American Agreement a major change would have occurred in the international financial situation and that consequently it would be necessary to consider what changes in the provisions of our Agreement the two governments should agree to make.

Subject to the understanding set out in my exchange of letters with the Chancellor of the Exchequer the Government of Canada agrees that the Agreement, except Articles 5, 6, and 7 should come into force on May 30, 1946. Will you please let me know if your Government also agrees.

For purposes of record I should be glad to have your assurance either that the Agreement has been approved by the Parliament of the United Kingdom or that no such legislative approval is necessary.

Yours very truly,

J. L. ILSLEY

## IV

*The High Commissioner for the United Kingdom to the Canadian Minister of Finance*

OFFICE OF THE HIGH COMMISSIONER FOR THE UNITED KINGDOM

Ottawa, 30th May, 1946

Dear Sir,

I have to acknowledge the receipt of your letter of the 30th May regarding the entry into force of the Financial Agreement between the Government of Canada and the Government of the United Kingdom which was signed on the 6th March, 1946. On behalf of the Government of the United Kingdom I agree to your proposal that the Agreement should come into force on the 30th May, 1946, subject to the understanding set out in the exchange of letters between yourself and the Chancellor of the Exchequer to the effect that articles 5, 6 and 7 of the Agreement shall not be implemented until it is known whether the United States Congress approve the Financial Agreement between the Government of the United States and the Government of the United Kingdom.

In reply to the last paragraph of your letter, I confirm that no legislative approval of the Agreement by the Parliament of the United Kingdom is necessary.

Yours very truly,

A. CLUTTERBUCK

## V

*The Canadian Minister of Finance to the High Commissioner for the United Kingdom*

DEPARTMENT OF FINANCE

Ottawa, July 16, 1946

Dear Sir:

In my letter of May 30, 1946, I informed you that a proclamation was force on May 30, 1946, with the exception of sections four and five. being issued bringing The United Kingdom Financial Agreement Act, 1946, into



In our exchange of letters of May 30, it was agreed, on behalf of the Government of Canada and the Government of the United Kingdom that the financial agreement of March 6, 1946, would come into force on May 30, 1946, with the exception of Articles five, six and seven.

You will recall that our understanding was that Articles five, six and seven of the Agreement would not come into force until it was known whether the United States Congress had approved the Anglo-American Agreement, signed in Washington on December 6, 1945. I am advised by the Canadian Ambassador in Washington that the Anglo-American Agreement has now been approved by the United States Congress and signed by the President on July 15, 1946.

Accordingly, a proclamation is being issued today bringing into force the remaining sections of The United Kingdom Financial Agreement Act, 1946, namely sections four and five.

The purpose of this letter is to inform you that the Government of Canada now agrees that Articles five, six and seven of the Agreement should come into force on July 16, 1946.

Would you please be good enough to let me know if your Government also agrees to the coming into force on July 16, 1946, of these Articles of the Agreement.

Yours very truly,

J. L. ILSLEY

## VI

*The High Commissioner for the United Kingdom to the Canadian Minister of Finance*

OFFICE OF THE HIGH COMMISSIONER FOR THE UNITED KINGDOM

Ottawa, 16th July, 1946

Dear Sir,

I have to acknowledge the receipt of your letter of the 16th July informing me that, following on the approval by the U.S. Congress of the Financial Agreement between the Government of the United States and the Government of the

United Kingdom, a proclamation is being issued in Ottawa to-day bringing into force the remaining sections, namely sections four and five, of the United Kingdom Financial Agreement Act, 1946.

I note that the Government of Canada now agrees that Articles five, six and seven of the Financial Agreement between the Government of Canada and the Government of the United Kingdom which was signed on the 6th March, 1946, should come into force on the 16th July, 1946. I agree on behalf of the Government of the United Kingdom that these Articles of the Agreement should come into force on the date specified in your letter, namely, the 16th July, 1946.

Yours very truly,

A. CLUTTERBUCK