

No. 441

**INDIA
and
PAKISTAN**

Agreement for the avoidance of unnecessary restrictions on exchange transactions and the transfer of funds and securities between the two Dominions (with exchange of letters). Signed at Karachi, on 30 June 1948

*English official text communicated by the Minister of External Affairs in India.
The registration took place on 20 April 1949.*

**INDE
et
PAKISTAN**

Accord tendant à éviter les restrictions non indispensables en matière d'opérations de change et de transferts de fonds et de valeurs mobilières entre les deux Dominions (avec échange de lettres). Signé à Karachi, le 30 juin 1948

Texte officiel anglais communiqué par le Ministre des affaires extérieures de l'Inde. L'enregistrement a eu lieu le 20 avril 1949.

No. 441. AGREEMENT¹ BETWEEN INDIA AND PAKISTAN
FOR THE AVOIDANCE OF UNNECESSARY RESTRICTIONS
ON EXCHANGE TRANSACTIONS AND THE
TRANSFER OF FUNDS AND SECURITIES. SIGNED AT
KARACHI, ON 30 JUNE 1948

Whereas the provision contained in Section 13 of Part IV of the Pakistan (Monetary System and Reserve Bank) Order, 1947, as subsequently amended, which prohibits exchange control as between India and Pakistan and any restrictions on the transfer of funds or securities from one Dominion to the other, is due to expire on the thirtieth day of June 1948;

And whereas it is to the advantage of both the Dominions that no unnecessary restrictions should be placed on exchange transactions and the transfer of funds and securities between the two Dominions;

It is hereby agreed as follows:

Article I

The official rate of exchange as between the India rupee and the Pakistan rupee will continue to be at par, and will not be altered by either Government except after due notice and mutual consultation.

Article II

As soon as the necessary arrangements can be made, the Government of Pakistan will become a member of the International Monetary Fund, and for that purpose will declare the par value of the Pakistan rupee to be equal to 0.268601 grammes of fine gold.

It is assumed for the purposes of this Agreement that this parity will be accepted by the authorities of the Fund.

Article III

(1) There shall be no exchange control as between India and Pakistan, nor shall any restrictions be placed on the transfer of funds or securities from one Dominion to the other, whether such transfers are on capital account or current account. In particular there shall be no restrictions on transfer of

¹ Came into force on 1 July 1948, in accordance with article X.

evacuee funds in private hands. The transfer of evacuee funds in the hands of Custodians of Evacuee Property will be arranged after mutual consultation between the Reserve Bank of India and the State Bank of Pakistan (hereinafter referred to as "the Reserve Bank" and "the State Bank", respectively) in order to ensure orderly transfer without undue strain on exchange resources.

(2) Nothing contained in the preceding paragraph shall apply in relation to the transfer of gold or silver (in whatever form) between the two Dominions. Either Government may impose restrictions on such transfer, subject to such exemptions in regard to evacuee property as may be agreed upon by the two Governments.

Article IV

(1) The Reserve Bank, acting as agents of the Government of India, shall sell to the State Bank, acting as agents of the Government of Pakistan, India rupees to such extent as may be required for payments which persons in Pakistan are permitted under the exchange regulations in force in Pakistan to make to India; and such sale shall be—

- (a) against Pakistan rupees to be credited at the official rate of exchange to the Reserve Bank's account with the State Bank, provided that the balance standing to the credit of that account is not thereby increased above a maximum of fifteen crores of Pakistan rupees; and thereafter
- (b) against sterling to be credited at the official sterling parity to the Reserve Bank's No. I Account with the Bank of England, provided that the total amount of sterling so transferred shall not exceed seven and a half million pounds; and thereafter
- (c) against sterling to be credited at the official sterling parity to the Reserve Bank's No. II Account with the Bank of England.

(2) The State Bank, acting as agents of the Government of Pakistan, shall sell to the Reserve Bank, acting as agents of the Government of India, Pakistan rupees to such extent as may be required for payments which persons

in India are permitted under the exchange regulations in force in India to make to Pakistan; and such sale shall be—

- (a) against India rupees to be credited at the official rate of exchange to the State Bank's account with the Reserve Bank, provided that the balance standing to the credit of that account is not thereby increased above a maximum of fifteen crores of India rupees; and thereafter
- (b) against sterling to be credited at the official sterling parity to the State Bank's No. I Account with the Bank of England, provided that the total amount of sterling so transferred shall not exceed seven and a half million pounds; and thereafter
- (c) against sterling to be credited at the official sterling parity to the State Bank's No. II Account with the Bank of England.

Article V

(1) The Reserve Bank shall have the right at any time to sell to the State Bank against all or part of the India rupees held by the Bank either Pakistan rupees at the official rate of exchange or sterling from the Reserve Bank's No. I Account with the Bank of England at the official sterling parity.

(2) The State Bank shall have the right at any time to sell to the Reserve Bank against all or part of the Pakistan rupees held by that Bank either India rupees at the official rate of Exchange or sterling from the State Bank's No. I Account with the Bank of England at the official sterling parity.

Article VI

In the event of either Government taking action which results in a depreciation of its currency in terms of the currency of the other Dominion, India rupees held by the State Bank, or, as the case may be, Pakistan rupees held by the Reserve Bank, shall be revalued on the basis of the new parity, and the account of whichever Bank incurs a loss as a result of such revaluation shall be written up by the credit of additional India rupees or Pakistan rupees, as the case may be.

Article VII

The Reserve Bank and the State Bank will collaborate to maintain the India and Pakistan rupees at parity with each other and to that end will take steps to enforce the use of the official rate as the basis of all transactions involving a relationship between the two currencies in the markets under their control.

Article VIII

Any India rupees held by the State Bank shall be held invested only as may be agreed by the Reserve Bank and any Pakistan rupees held by the Reserve Bank shall be held and invested only as may be agreed by the State Bank.

Article IX

The Reserve Bank and the State Bank shall maintain close contact on all technical questions arising out of the present Agreement.

Article X

This Agreement shall come into force on the first day of July 1948 and shall remain in force for a period of one year, but shall be reviewed three months before the date of its termination;

Provided that if during the currency of this Agreement the transfer of funds from one Dominion to the other assumes such large proportions as to involve undue strain on the foreign exchange reserves of that Dominion, the two Governments shall consult together with a view to modifying the Agreement;

And Provided always that in the event of either of the two Dominions ceasing to be a member of "the scheduled territories" as defined in the Exchange Control Act, 1947, of the United Kingdom, the provisions of this Agreement shall be in abeyance pending consultation between the two Governments.

IN WITNESS WHEREOF the Secretary to the Government of India in the Ministry of Finance and the Secretary to the Government of Pakistan in the Ministry of Finance, having been duly authorised by their respective Governments, have appended their signatures.

DONE in duplicate at Karachi this Thirtieth day of June 1948.

For the Government of India:

(Signed) V. Narahari RAO

Secretary to the Government of India
Ministry of Finance

For the Government of Pakistan:

(Signed) V. A. C. TURNER

Secretary to the Government of Pakistan
Ministry of Finance

EXCHANGE OF LETTERS

I

GOVERNMENT OF INDIA
MINISTRY OF FINANCE

REGISTERED
BY AIR MAIL

No. 88-Adl.S/48.

New Delhi, dated 2nd July 1948

From V. Narahari Rao, Esq., C.S.I., C.I.E.,
Secretary to the Government of India.

To Sir Victor Turner, C.S.I., C.I.E., M.B.E., I.C.S.,
Secretary to the Government of Pakistan,
Ministry of Finance, Karachi.

Sir,

In connection with the Agreement between the Dominion of India and the Dominion of Pakistan for the avoidance of unnecessary restrictions on exchange transactions and the transfer of funds and securities between the two

II

GOVERNMENT OF PAKISTAN
MINISTRY OF FINANCE

No. D. 4946-B/48.

Karachi, the 25th August, 1948

From Sid Victor Turner, C.S.I., C.I.E., M.B.E., I.C.S.

Secretary to the Government of Pakistan,
Ministry of Finance, Karachi.To V. Narahari Rao, Esquire, C.S.I., C.I.E.,
Secretary to the Government of India,
Ministry of Finance, New Delhi.

Sir,

With reference to your letter No. 88-Adl.S/48, dated the 2nd July, 1948, I confirm that in connection with the Agreement between the Dominion of Pakistan and the Dominion of India for the avoidance of unnecessary restrictions on exchange transactions and the transfer of funds and securities between the two Dominions it is the understanding of my Government that transfer of funds on account of unusual receipts or payments on Government account shall be arranged after mutual consultation between the State Bank of Pakistan and the Reserve Bank of India in order to ensure orderly transfer without undue strain on exchange resources.

I have the honour to be, Sir, your most obedient servant,

(Signed) V. A. C. TURNER
Secretary to the Government of Pakistan