

**No. 793**

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**INDIA  
and  
PAKISTAN**

**Agreement in regard to modifications in the monetary  
arrangements. Signed at New Delhi, on 31 March 1948**

*Official text : English.*

*Registered by India on 10 May 1950.*

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**INDE  
et  
PAKISTAN**

**Accord portant modification des arrangements monétaires.  
Signé à New-Delhi, le 31 mars 1948**

*Texte officiel anglais.*

*Enregistré par l'Inde le 10 mai 1950.*

**No. 793. AGREEMENT<sup>1</sup> IN REGARD TO MODIFICATIONS  
IN THE MONETARY ARRANGEMENTS BETWEEN  
INDIA AND PAKISTAN. SIGNED AT NEW DELHI,  
ON 31 MARCH 1948**

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In modification of the provisions of the Pakistan (Monetary System and Reserve Bank) Order, 1947, and the agreement made in December 1947, regarding the division of sterling balances, the Governments of India and Pakistan agree as follows :

*(1) Date of termination of Reserve Bank's functions in Pakistan*

The Reserve Bank will continue to function in Pakistan up to the 30th June 1948 in all respects as at present, i.e. as the currency authority, the banker of Government, agents for the management of public debt and for the exercise of exchange control.

*2) Reduction of currency chest balances in Pakistan*

The work of destruction or removal to India of India notes and coin held in currency chests in Pakistan will be accelerated so that the balances left over on 30th June 1948 will be reduced to the minimum possible. The Pakistan Government will ensure that all possible facilities are provided to the Reserve Bank for this purpose.

*(3) Mode of transfer of assets of the Issue Department*

(a) If at the close of business on the 30th day of June 1948, the currency chests in Pakistan contain an excess of India notes and India or Pakistan rupee coins over the amount of Pakistan notes put into circulation up to that date, the Pakistan Government undertakes the obligation to return as expeditiously as possible to the Reserve Bank of India such excess unconditionally and shall not be entitled to receive any assets of the Issue Department of the Reserve Bank in respect thereof. All the currency chests in Pakistan shall be deemed to be transferred from the Reserve Bank to the Pakistan State Bank at the close of business on 30th June 1948 and the State Bank shall give a certificate to the Reserve Bank acknowledging the value of the excess as stated above and the obligation to return it unconditionally.

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<sup>1</sup> Came into force on 31 March 1948 by signature.

(b) The Pakistan Government undertakes that no Indian notes shall be put into circulation from the currency chests after the 30th June 1948.

(c) If at the close of business on the 30th day of June 1948, the value of Pakistan notes put into circulation exceeds the value of India notes and India or Pakistan coin held in the currency chests in Pakistan, the Reserve Bank of India will give to the State Bank of Pakistan a certificate acknowledging the value of the deficiency and the obligation to transfer to the Pakistan State Bank equivalent assets of the Issue Department of the Reserve Bank on the surrender of the certificate.

(d) Except in regard to the assets equivalent to the deficiency mentioned in (c) above, which will be transferred as soon after 1st July 1948 as possible, the physical transfer of assets of the Reserve Bank to the Pakistan State Bank shall be made only after the return to the Reserve Bank of India of the excess specified in the certificate referred to in sub-paragraph (a) and shall be subject to the procedure outlined in the next succeeding sub-paragraphs.

(e) As on the 1st July 1948 the Reserve Bank will issue a certificate recognising the obligation of the Bank to deliver to the Pakistan State Bank assets equivalent to the Pakistan notes in circulation on 30th June 1948 on discharge by the Government of Pakistan of the liability to return the excess in currency chests as on 30th June 1948 in terms of sub-paragraph (a). The certificate will give particulars of the assets to be delivered.

(f) After the Pakistan State Bank has completed the return of the excess specified in sub-paragraph (a), any further delivery of India notes and coins from the currency chests as on 30th June 1948, will entitle the Pakistan State Bank to proportionate assets of the Issue Department in respect of the notes. Such delivery shall be made to the Reserve Bank of India at any office in India in multiples of Rs. five crores except in the last instalment, and the Reserve Bank will transfer as early as possible proportionate assets except that in the case of gold the transfer will take place in not less than a complete bar, any excess being met in subsequent instalment. The certificate issued under (c) above will be modified from time to time as transfer of assets takes place.

(g) After the completion of the delivery of India notes and coins from the currency chests equal to the Pakistan notes in circulation on 30th June 1948, the Pakistan State Bank will deliver to the Reserve Bank, in the manner as stated in (f) above, India notes returning from circulation

after the 30th day of June 1948. Pending physical transfer of the assets the Reserve Bank will issue a certificate to the State Bank of Pakistan that assets equivalent to the amount so delivered are held by them on behalf of the State Bank and these certificates will be amended or cancelled from time to time on physical transfer of the assets.

(h) The State Bank of Pakistan will transfer India notes to India only by sea. If the State Bank of Pakistan makes a claim that any consignment of India notes has been irretrievably lost in transit from Pakistan to India, the Reserve Bank of India shall accept liability for the value of notes which it is satisfied have in fact been irretrievably lost.

*(4) Return of India notes*

India notes withdrawn from circulation in Pakistan up to 30th June 1949 and delivered to the Reserve Bank by the State Bank of Pakistan will count for sharing in the profits of the Reserve Bank up to 30th June 1948 and the division of the assets of the Issue Department as on 30th June 1948.

*(5) Cost of remittance*

The cost of remittance from Pakistan to India of India notes and coins held in currency chests on 30th June 1948 shall be borne by the Reserve Bank. The cost of remittance of India notes and Government of India one rupee notes and coins withdrawn from circulation and delivered to the Reserve Bank shall be borne by the State Bank of Pakistan. The cost of transfer of gold and other assets from India to Pakistan shall also be borne by the State Bank of Pakistan.

*(6) Mode of transfer of Pakistan Government cash balances and bank deposits*

The amount standing to the credit of Pakistan's Central and Provincial Governments at the Reserve Bank on 30th June 1948 and the amounts required for meeting the Reserve Bank's liabilities to banks in Pakistan on 30th June 1948 shall be paid (a) in Pakistan currency to the extent that such currency is available with the Reserve Bank in the Banking Department on that date; (b) by transfer of the balance in the Reserve Bank's Pakistan account with the Bank of England to the credit of the State Bank of Pakistan Account with the Bank of England; and (c) the balance by

transfer from the Reserve Bank's No. II Account to a similar account of the State Bank of Pakistan with the Bank of England.

(7) *Allocation of sterling balances*

(i) For the purpose of determining Pakistan's share in the assets of the Issue Department, the amount of sterling in the Issue Department will be notionally decreased by an amount which together with the amount of sterling in the Banking Department will be sufficient for the following liabilities:—

(a) The lump sum payable to His Majesty's Government at the time of the final settlement of the sterling balances on account of the capitalisation of the pensionary liability, for H.M.G.'s military stores and fixed assets as on 1st April 1947 in India, etc.

(b) The cash balances of the Central and Provincial Governments of Pakistan to the extent they are payable in sterling as provided in paragraph (6).

(c) The amounts required by the Reserve Bank to meet its liabilities towards banks in Pakistan; and

(d) The amount equal to the balance at the credit of the Reserve Bank's Account No. I with the Bank of England.

(ii) The deficiency left in the Issue Department by the above notional transfer of sterling to the Banking Department will be notionally filled by an increase in the Government of India's securities held in the Issue Department. The increase of each kind of security will be proportionate to the amounts of those securities held in the Issue Department on 30th June 1948.

(iii) To the extent considered necessary by the two Governments, His Majesty's Government will be advised of the above arrangements.

(8) *Liability for one-rupee notes*

The Pakistan Government will assume liability for the Pakistan inscribed one-rupee notes issued up to 30th June 1948. In addition, the Pakistan Government will assume liability towards the Government of India in respect of the Government of India one-rupee notes in circulation in Pakistan on 1st July 1948. The latter liability will be taken to be equal to the amount of Pakistan inscribed one-rupee notes put into circulation up to that date and this amount shall be added to Pakistan's debt to India. The Government of Pakistan shall be entitled to receive abatement of the

debt so added equal to the amount of one-rupee Government of India notes returned by them up to 30th June 1949. It will be open to the Government of India to impose a ban on the import of such notes into India after 30th June 1948.

(9) *Provision for Burma's claim*

The transfer of profits and assets of the Reserve Bank to Pakistan will be provisional pending the settlement of Burma's claim to its share of these profits and assets, subject to readjustment when Burma's claim is settled.

(10) *Exchange Control*

Until 30th June 1948 there will be no exchange control as between India and Pakistan, nor will 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.

(11) *Amendments to Monetary Order*

Necessary amendments in the Pakistan (Monetary System and Reserve Bank) Order, 1947 will be made to give legal effect to this agreement.

(12) *Pakistan Coinage*

The Government of India will furnish to the Government of Pakistan figures for the production and supply of Pakistan coins by India mints for each category of coin for the period up to the 31st March, 1948. On the basis of these figures the Government of Pakistan will determine their further requirements from India mints and will intimate them to the Government of India. Should the Government of Pakistan decide that India mints should cease to produce Pakistan coins, they will give a notice of one month to the Government of India. If the Government of Pakistan decide not to employ the India mints for Pakistan coinage for the period originally agreed upon, the Government of India will be prepared to consider requests for helping the Lahore Mint in the matter of supply of stores.

V. NARAIHARI RAO

31st March, 1948

For the Government of India

ZAHID HUSSAIN

31st March, 1948

For the Government of Pakistan