

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

**and**

**UNITED STATES, UNITED KINGDOM AND FRENCH  
MILITARY GOVERNORS IN GERMANY**

**Agreement for the regulation of payments. Signed at  
Frankfurt-on-Main, on 5 August 1949**

**Exchange of letters abrogating as of 9 December 1950 the  
Agreement of 5 August 1949 for the regulation of  
payments. Bonn-Petersberg, 12 December 1950, and  
Frankfurt-on-Main, 19 January 1951**

*Official texts: English and French.*

*Registered by the United Kingdom of Great Britain and Northern Ireland on  
14 May 1951.*

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

**et**

**GOUVERNEURS MILITAIRES AMÉRICAIN,  
BRITANNIQUE ET FRANÇAIS EN ALLEMAGNE**

**Accord relatif à la réglementation des paiements. Signé à  
Francfort-sur-le-Main, le 5 août 1949**

**Échange de lettres annulant à la date du 9 décembre 1950  
l'Accord du 5 août 1949 relatif à la réglementation  
des paiements. Bonn-Petersberg, 12 décembre 1950, et  
Francfort-sur-le-Main, 19 janvier 1951**

*Textes officiels anglais et français.*

*Enregistrés par le Royaume-Uni de Grande-Bretagne et d'Irlande du Nord le  
14 mai 1951.*

No. 1195. AGREEMENT<sup>1</sup> BETWEEN THE GOVERNMENT OF THE UNITED KINGDOM OF GREAT BRITAIN AND NORTHERN IRELAND AND THE UNITED STATES, UNITED KINGDOM AND FRENCH MILITARY GOVERNORS IN GERMANY FOR THE REGULATION OF PAYMENTS. SIGNED AT FRANKFURT-ON-MAIN, ON 5 AUGUST 1949

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The Government of the United Kingdom of Great Britain and Northern Ireland (hereinafter referred to as "The Government of the United Kingdom") and the United States, United Kingdom and French Military Governors in Germany (hereinafter referred to as "the Military Governors") hereby agree as follows:—

*Article I*

(i) All trade and financial payments in respect of direct current transactions or permitted capital transactions between residents of the Western Zones of Germany (hereinafter referred to as "the Western Zones") and residents of the Scheduled Territories shall be settled in sterling.

(ii) Payments due to or from residents of the Scheduled Territories which must necessarily be made in Deutsche Mark shall be settled by the purchase or sale of sterling by residents of the Western Zones on the basis of the rates referred to in Article II.

(iii) All payments expressed in currencies other than sterling and Deutsche Mark which are due to be settled in sterling shall be converted into and settled in sterling on the basis of the official rates in London.

*Article II*

(i) The rates applied by the Bank deutscher Laender to purchases and sales of sterling and U.S. dollars shall be related at the Bank of England's middle rate for the U.S. dollar.

(ii) Until such time as an official exchange rate for sterling is quoted in the Western Zones any purchases or sales of sterling against Deutsche Mark by the Bank deutscher Laender including any contract entered into by the Bank of England for the provision of sterling to the Bank deutscher Laender in accordance with the provisions of paragraph (ii) of Article VIII of the present Agreement shall be based on the conversion factor authorized by the Military Governors or their successors for sterling transactions of the Bank deutscher Laender at the date of such transaction or contract.

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<sup>1</sup> Came into force on 5 August 1949, as from the date of signature, in accordance with article XI-

*Article III*

All sterling payments to residents of the Western Zones which residents of the Scheduled Territories or countries outside the Scheduled Territories are permitted to make to the Western Zones under the Exchange Control Regulations in force in the United Kingdom shall be made to a German Account other than the Bank deutscher Laender's No. 2 Account with the Bank of England.

*Article IV*

(i) The Bank deutscher Laender shall, on the basis of the rates referred to in Article II—

- (a) purchase, when required, sterling transferred to the credit of any German Account against disbursement of the Deutsche Mark equivalent.
- (b) sell to residents of the Western Zones such sterling at its disposal as may be required for any payments which residents of the Western Zones are permitted to make to residents of the Scheduled Territories under the Exchange Control Regulations in force in the Western Zones.

(ii) The Military Governors shall not restrict the availability of any Deutscher Mark arising from current transactions permitted to be settled in sterling under Exchange Control Regulations in force in the Western Zones and accruing to residents of the Scheduled Territories, for making payments to any resident of the Western Zones or to any other resident of the Scheduled Territories.

*Article V*

(i) The Government of the United Kingdom shall not restrict the availability of sterling standing to the credit of any German Account for transfer to any other German Account (except the Bank deutscher Laender's No. 2 Account) or to residents of the Scheduled Territories.

(ii) The Government of the United Kingdom shall not restrict the availability of sterling at the disposal of the Bank deutscher Laender for making payments in respect of direct current transactions to residents of such countries outside the Western Zones and the Scheduled Territories as may be agreed between the Bank of England and the Bank deutscher Laender, acting as agents of the Government of the United Kingdom and of the Military Governors, respectively.

*Article VI*

The Military Governors shall not restrict the acceptance by residents of the Western Zones of sterling in respect of direct current transactions

from residents of the Scheduled Territories and from residents of such countries outside the Western Zones and the Scheduled Territories as may be agreed between the Bank of England and the Bank deutscher Laender acting as agents of the Government of the United Kingdom and of the Military Governors, respectively.

#### *Article VII*

Any sterling held by the Bank deutscher Laender shall be invested only as may be approved by the Bank of England.

#### *Article VIII*

(i) The Bank deutscher Laender shall, as and when it may be necessary arrange that transfers be made from its No. 2 Account to its No. 1 Account at the Bank of England to an amount sufficient to ensure that there is always a credit balance in its favour on the No. 1 Account. Any amounts so transferred shall be withdrawn from the No. 1 Account and re-credited to the No. 2 Account when they are no longer required in order to maintain a credit balance on the No. 1 Account.

(ii) If, at any time, the funds available on the No. 2 Account (apart from any minimum balance which is there maintained in accordance with the terms of the Revised Fusion Agreement dated the 17th December, 1947,<sup>1</sup> between the Government of the United Kingdom and the Government of the United States of America or with the terms of any arrangement which may replace that Agreement) are insufficient to maintain the No. 1 Account in credit under the provisions of paragraph (i) above, the Bank of England (acting as agents of the Government of the United Kingdom) shall, upon the request of the Bank deutscher Laender (acting as agents of the Military Governors) sell sterling to the Bank deutscher Laender for credit to the No. 1 Account against Deutsche Mark to be credited to an account to be opened on the books of Bank deutscher Laender in the name of the Bank of England and simultaneously repurchase an equal amount of sterling for forward delivery against Deutsche Mark to be debited to the Account of the Bank of England on the books of Bank deutscher Laender upon terms to be agreed between the two Banks.

(iii) If at the end of any calendar month the credit balance on the Bank deutscher Laender's No. 1 Account with the Bank of England exceeds £7.5 million after deduction of—

- (a) the net amount of any transfers from the No. 2 Account made in accordance with the provisions of paragraph (i) of this Article, and
- (b) the net amount of any sterling sold to the Bank deutscher Laender by the Bank of England in accordance with the provisions of paragraph (ii) of this Article,

<sup>1</sup> United Nations, *Treaty Series*, Vol. 34, p. 390 and 410, and Vol. 67, p. 336.

the Bank of England, acting as agents of the Government of the United Kingdom shall, at the request of the Bank deutscher Laender, and against payment in sterling from the No. 1 Account, sell to the Bank deutscher Laender (at the Bank of England's middle rate for the U.S. dollar) the equivalent in U. S. dollars of the amount of the excess over £7.5 million.

(iv) If at the end of any calendar month the credit balance on the Deutsche Mark Account of the Bank of England with the Bank deutscher Laender arising from the transactions referred to in paragraph (ii) of this Article exceeds the equivalent of £7.5 million, the Bank deutscher Laender, acting as agents of the Military Governors, shall at the request of the Bank of England, sell to that Bank (at the latter's middle rate for the U.S. dollar) against sterling to be credited to the No. 1 Account the equivalent in U.S. dollars of the amount of the excess over £7.5 million.

#### *Article IX*

The Bank of England and the Bank deutscher Laender, as agents of the Government of the United Kingdom and the Military Governors, respectively, will maintain contact on all technical questions arising out of the present Agreement.

#### *Article X*

For the purpose of the present Agreement:—

(i) The expression " the Military Governors " shall include their successors.

(ii) The expression " the Scheduled Territories " shall have the meaning from time to time assigned to it under the United Kingdom Exchange Control Act, 1947.

(iii) The expression " the Western Zones of Germany " means the United States, United Kingdom and French Zones of Occupation in Germany and the United States, United Kingdom and French Sectors of Berlin.

(iv) The expression " German Account " shall mean a sterling account of a resident of the Western Zones which is for the time being recognised by the Bank of England as a German Account for the purpose of the present Agreement.

(v) The expression " payments in respect of direct current transactions " shall mean payments for transactions of the type defined in Article XIX (i) of the Articles of Agreement of the International Monetary Fund<sup>1</sup> which are made by a principal in the paying country and which relate solely to goods imported into that country and originating in the country to which payment is made, or to services rendered to that country by residents of the country to which payment is made.

<sup>1</sup> United Nations, *Treaty Series*, Vol. 2, p. 39, and Vol. 19, p. 280.

*Article XI*

(i) The present Agreement shall come into force on this day's date.

(ii) Should either Contracting Party consider that the state of payments between the two areas justifies an increase in the limits of £7.5 million and the Deutsche Mark equivalent thereof in the credit balances on the Bank deutscher Laender's No. 1 Account with the Bank of England and the Bank of England's Deutsche Mark Account with the Bank deutscher Laender respectively, or wish to discuss other matters affecting such balances except insofar as concerns the matter referred to in paragraph (iii) of this Article, that Party shall have the right at any time to call a meeting with the other Party to be held within a period of 30 days of the date of request.

(iii) Should either Contracting Party be dissatisfied with the operation of the Agreement and desire to reduce the limits of £7.5 million and its Deutsche Mark equivalent referred to in Article VIII it shall have the right after the expiry of 12 months from this date to call a meeting with the other Party to be held within 30 days of the date of request for the purpose of re-negotiating the present Agreement. If no new Agreement is concluded during such discussions the party calling the meeting may give notice that the limits of £7.5 million and its Deutsche Mark equivalent shall, at the end of the sixth month following the month during which the negotiations for a new Agreement are terminated, be reduced to £1.5 million and its Deutsche Mark equivalent. If during such period of six months, the balance on the Bank deutscher Laender's No. 1 Account with the Bank of England, after taking into account the deductions referred to in paragraph (iii) (a) and (b) of Article VIII of this Agreement or the balance on the Bank of England's Deutsche Mark Account with the Bank deutscher Laender arising from the transactions referred to in paragraph (ii) of Article VIII of this Agreement as the case may be, be reduced to a figure satisfactory to the Party which gave notice of its intention to reduce the limits, that Party shall have the right to withdraw such notice or to invite the other Contracting Party to agree upon new limits.

(iv) Should the limits on the two accounts be reduced in the manner laid down in paragraph (iii) above, either Contracting Party shall thereafter have the right at any time to call a meeting to be held within 30 days of the date of request, to re-negotiate the Agreement.

(v) Unless this Agreement is re-negotiated under the provisions of the preceding paragraphs of this Article, it shall remain in force until the 30th June, 1950, and thereafter as may be agreed between the two Contracting Parties.

IN WITNESS WHEREOF, the Economics Advisors to the Military Governors of the three Western Zones of Germany, acting in the names of the Military Governors and by their authority, and the Plenipotentiary of the Government

of the United Kingdom of Great Britain and Northern Ireland, have signed the present Agreement.

DONE in four copies, two in the English language and two in the French language, both texts having equal validity.

(Signed) F. S. HANNAMAN  
Economics Advisor  
for the Honorable John J. McCloy  
Military Governor  
United States Zone

(Signed) Cecil M. WEIR  
Economics Advisor  
for General Brian Robertson  
Military Governor  
United Kingdom Zone

(Signed) H. L. SETCHELL  
for the Government of the  
United Kingdom of Great  
Britain and Northern Ireland

(Signed) P. LEROY BEAULIEU  
Economics Advisor  
for Général d'Armée Pierre Koenig  
Military Governor  
French Zone

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EXCHANGE OF LETTERS ABROGATING AS OF 9 DECEMBER 1950  
THE AGREEMENT OF 5 AUGUST 1949<sup>1</sup> FOR THE REGULATION  
OF PAYMENTS. BONN-PETERSBERG, 12 DECEMBER 1950,  
AND FRANKFURT-ON-MAIN, 19 JANUARY 1951

## I

## TRANSLATION — TRADUCTION

## ALLIED HIGH COMMISSION FOR GERMANY

Bonn-Petersberg, 12 December 1950

AGSEC (50) 2734

Mr. H. L. Setchell  
British Commercial Representative  
Frankfort-on-Main — B.A.O.R. 21

Sir,

I have the honour to inform you that the approval of the Payments Agreement<sup>2</sup> with Great Britain by the Allied High Commission has the effect, as stated in paragraph 9 of the new Agreement, of abrogating the Payments Agreement concluded on 5 August 1949<sup>1</sup> with the French, British and American Military Governors.

I have the honour to be, etc.

(Signed) G. P. GLAIN  
Secretary-General

## II

19th January, 1951

(20/8/51)

Sir,

I have the honour to acknowledge the receipt of your letter of 12th December, 1950, written on behalf of the Allied High Commission for Germany as successors to the United States, United Kingdom and French Military Governors in Germany regarding the abrogation of the Payments Agreement concluded on 5th August, 1949 between the Government of the United Kingdom of Great Britain and Northern Ireland, and the United States, United Kingdom, and French Military Governors in Germany.

<sup>1</sup> See p. 230 of this volume.

<sup>2</sup> See p. 247 of this volume.



In reply I am to state that His Majesty's Government in the United Kingdom of Great Britain and Northern Ireland also agrees to the abrogation of the Agreement, which shall be deemed to have taken effect on the 9th December, 1950, and will regard this letter and your letter under reference as placing on record the abrogation, by mutual consent, of the said Agreement.

Accept, Sir, the assurance of my highest consideration.

(Signed) H. L. SETCHELL  
Minister (Commercial)

Lieut. Col. G. P. Glain  
Secretary General  
Allied High Commission for Germany  
Bonn-Petersberg