

No. 1679

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**UNITED STATES OF AMERICA  
and  
UNITED KINGDOM OF GREAT BRITAIN  
AND NORTHERN IRELAND**

**Financial Agreement (with related notes). Signed at Wash-  
ington, on 6 December 1945**

*Official text: English.*

*Registered by the United States of America on 26 March 1952.*

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**ÉTATS-UNIS D'AMÉRIQUE  
et  
ROYAUME-UNI DE GRANDE-BRETAGNE  
ET D'IRLANDE DU NORD**

**Accord financier (avec notes y relatives). Signé à Washing-  
ton, le 6 décembre 1945**

*Texte officiel anglais.*

*Enregistré par les États-Unis d'Amérique le 26 mars 1952.*

No. 1679. FINANCIAL AGREEMENT<sup>1</sup> BETWEEN THE GOVERNMENTS OF THE UNITED STATES OF AMERICA AND THE UNITED KINGDOM OF GREAT BRITAIN AND NORTHERN IRELAND. WASHINGTON, 6 DECEMBER 1945

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It is hereby agreed between the Government of the United States of America and the Government of the United Kingdom of Great Britain and Northern Ireland as follows :

1. *Effective date of the Agreement.* The effective date of this Agreement shall be the date on which the Government of the United States notifies the Government of the United Kingdom that the Congress of the United States has made available the funds necessary to extend to the Government of the United Kingdom the line of credit in accordance with the provisions of this Agreement.

2. *Line of credit.* The Government of the United States will extend to the Government of the United Kingdom a line of credit of \$3,750,000,000 which may be drawn upon at any time between the effective date of this Agreement and December 31, 1951, inclusive.

3. *Purpose of the line of credit.* The purpose of the line of credit is to facilitate purchases by the United Kingdom of goods and services in the United States, to assist the United Kingdom to meet transitional postwar deficits in its current balance of payments, to help the United Kingdom to maintain adequate reserves of gold and dollars, and to assist the Government of the United Kingdom to assume the obligations of multilateral trade, as defined in this and other agreements.

4. *Amortization and interest.*

(i) The amount of the line of credit drawn by December 31, 1951, shall be repaid in 50 annual installments beginning on December 31, 1951, with interest at the rate of 2 percent per annum. Interest for the year

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<sup>1</sup> In accordance with paragraph 1 the agreement came into force on 15 July 1946 by notification given by the Government of the United States of America to the Government of the United Kingdom that the Congress of the United States of America had made available the funds necessary to extend to the Government of the United Kingdom the line of credit in accordance with the provisions of the said agreement.

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 installments of principal repayments and interest shall be equal, calculated at the rate of \$31,823,000 for each \$1,000,000,000 of the line of credit drawn by December 31, 1951, and the fiftieth annual installment shall be at the rate of \$31,840,736.65 for each such \$1,000,000,000. Each installment shall consist of the full amount of the interest due and the remainder of the installment shall be the principal to be repaid in that year. Payments required by this section are subject to the provisions of section 5.

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

5. *Waiver of interest payments.* In any year in which the Government of the United Kingdom requests the Government of the United States to waive the amount of the interest due in the installment of that year, the Government of the United States 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 1936-8, fixed at £866 million, as such figure may be adjusted for changes in the price level of these imports. Any amount in excess of £43,750,000 released or paid in any year on account of sterling balances accumulated to the credit of overseas governments, monetary authorities and banks before the effective date of this Agreement shall be regarded as a capital transaction and therefore shall not be included in the above calculation of the net income from invisible current transactions for that year. 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.

6. *Relation of this line of credit to other obligations.*

(i) It is understood that any amounts required to discharge obligations of the United Kingdom to third countries outstanding on the effective date of this Agreement will be found from resources other than this line of credit.

(ii) The Government of the United Kingdom will not arrange any long-term loans from governments within the British Commonwealth after December 6, 1945, and before the end of 1951 on terms more favorable to the lender than the terms of this line of credit.

(iii) Waiver of interest will not be requested or allowed under section 5 in any year unless the aggregate of the releases or payments in that year of sterling balances accumulated to the credit of overseas governments, monetary authorities and banks (except in the case of colonial dependencies) before the effective date of this Agreement is reduced proportionately, and unless interest payments due in that year on loans referred to in (ii) above are waived. The proportionate reduction of the releases or payments of sterling balances shall be calculated in relation to the aggregate released and paid in the most recent year in which waiver of interest was not requested.

(iv) The application of the principles set forth in this section shall be the subject of full consultation between the two governments as occasion may arise.

7. *Sterling area exchange arrangements.*

The Government of the United Kingdom will complete arrangements as early as practicable and in any case not later than one year after the effective date of this Agreement, unless in exceptional cases a later date is agreed upon after consultation, under which immediately after the completion of such arrangements the sterling receipts from current transactions of all sterling area countries (apart from any receipts arising out of military expenditure by the Government of the United Kingdom prior to December 31, 1948, to the extent to which they are treated by agreement with the countries concerned on the same basis as the balances accumulated during the war) will be freely available for current transactions in any currency area without discrimination; with the result that any discrimination arising from the so-called sterling area dollar pool will be entirely removed and that each member of the sterling area will have its current sterling and dollar receipts at its free disposition for current transactions anywhere.

8. *Other exchange arrangements.*

(i) The Government of the United Kingdom agrees that after the effective date of this Agreement it will not apply exchange controls in such

a manner as to restrict (a) payments or transfers in respect of products of the United States permitted to be imported into the United Kingdom or other current transactions between the two countries or (b) the use of sterling balances to the credit of residents of the United States arising out of current transactions. Nothing in this paragraph (i) shall affect the provisions of Article VII of the Articles of Agreement of the International Monetary Fund<sup>1</sup> when those Articles have come into force.

(ii) The Governments of the United States and the United Kingdom agree that not later than one year after the effective date of this Agreement, unless in exceptional cases a later date is agreed upon after consultation, they will impose no restrictions on payments and transfers for current transactions. The obligations of this paragraph (ii) shall not apply :

- (a) to balances of third countries and their nationals accumulated before this paragraph (ii) becomes effective; or
- (b) to restrictions imposed in conformity with the Articles of Agreement of the International Monetary Fund, provided that the Governments of the United Kingdom and the United States will not continue to invoke the provisions of Article XIV, Section 2 of those Articles after this paragraph (ii) becomes effective, unless in exceptional cases after consultation they agree otherwise; or
- (c) to restrictions imposed in connection with measures designed to uncover and dispose of assets of Germany and Japan.

(iii) This section and section 9, which are in anticipation of more comprehensive arrangements by multilateral agreement, shall operate until December 31, 1951.

9. *Import arrangements.* If either the Government of the United States or the Government of the United Kingdom imposes or maintains quantitative import restrictions, such restrictions shall be administered on a basis which does not discriminate against imports from the other country in respect of any product; provided that this undertaking shall not apply in cases in which (a) its application would have the effect of preventing the country imposing such restrictions from utilizing, for the purchase of needed imports, inconvertible currencies accumulated up to December 31, 1946, or (b) there may be special necessity for the country imposing such restrictions to assist, by measures not involving a substantial departure from the general rule of non-discrimination, a country whose economy has been disrupted by war, or (c) either government imposes quantitative restrictions having equivalent effect to any exchange

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

restrictions which that government is authorized to impose in conformity with Article VII of the Articles of Agreement of the International Monetary Fund. The provisions of this section shall become effective as soon as practicable but not later than December 31, 1946.

10. *Accumulated sterling balances.*

(i) The Government of the United Kingdom intends to make agreements with the countries concerned, varying according to the circumstances of each case, for an early settlement covering the sterling balances accumulated by sterling area and other countries prior to such settlement (together with any future receipts arising out of military expenditure by the Government of the United Kingdom to the extent to which they are treated on the same basis by agreement with the countries concerned). The settlements with the sterling area countries will be on the basis of dividing these accumulated balances into three categories (a) balances to be released at once and convertible into any currency for current transactions, (b) balances to be similarly released by installments over a period of years beginning in 1951, and (c) balances to be adjusted as a contribution to the settlement of war and postwar indebtedness and in recognition of the benefits which the countries concerned might be expected to gain from such a settlement. The Government of the United Kingdom will make every endeavor to secure the early completion of these arrangements.

(ii) In consideration of the fact that an important purpose of the present line of credit is to promote the development of multilateral trade and facilitate its early resumption on a non-discriminatory basis, the Government of the United Kingdom agrees that any sterling balances released or otherwise available for current payments will, not later than one year after the effective date of this Agreement unless in special cases a later date is agreed upon after consultation, be freely available for current transactions in any currency area without discrimination.

11. *Definitions.*

For the purpose of this Agreement :

(i) The term « current transaction » shall have the meaning prescribed in Article XIX (i) of the Articles of Agreement of the International Monetary Fund.

(ii) The term “ sterling area ” means the United Kingdom and the other territories declared by the Defence (Finance) (Definition of Sterling Area) (No. 2) Order, 1944, to be included in the sterling area, namely “ the following territories excluding Canada and Newfoundland, that is to say—

- (a) any Dominion,
- (b) any other part of His Majesty's dominions,
- (c) any territory in respect of which a mandate on behalf of the League of Nations has been accepted by His Majesty and is being exercised by His Majesty's Government in the United Kingdom or in any Dominion,
- (d) any British protectorate or protected State,
- (e) Egypt, the Anglo-Egyptian Sudan and Iraq,
- (f) Iceland and the Faroe Islands."

12. *Consultation on Agreement.* Either government shall be entitled to approach the other for a reconsideration of any of the provisions of this Agreement, if in its opinion the prevailing conditions of international exchange justify such reconsideration, with a view to agreeing upon modifications for presentation to their respective legislatures.

Signed in duplicate at Washington, District of Columbia, this 6th day of December, 1945.

For the Government of the United States of America :  
 Fred M. VINSON  
 Secretary of the Treasury  
 of the United States of America

For the Government of the United Kingdom of  
 Great Britain and Northern Ireland  
 HALIFAX  
 His Majesty's Ambassador Extraordinary  
 and Plenipotentiary at Washington

#### RELATED NOTES

##### I

*The British Ambassador at Washington to the Secretary of State of the United States of America*

BRITISH EMBASSY  
 WASHINGTON, D.C.

December 15th, 1945

No. 620  
 G.238/—/45

Sir,

In the course of the discussions leading up to the Financial Agreement recently concluded between His Majesty's Government in the United Kingdom and the Government of the United States, the United Kingdom representatives

were asked if they would furnish a list of those territories comprised, so far as concerns the United Kingdom, in the term " Colonial dependencies " which is used in section 6 (iii) of the Agreement.

2. I now have the honour to transmit to Your Excellency a list of Colonial dependencies, comprising British Colonies which are not fully selfgoverning, British Protectorates and Protected States, and Mandated Territories administered under the authority of His Majesty's Government in the United Kingdom of Great Britain and Northern Ireland.

3. I enclose a copy of this note for communication to the Secretary of the Treasury.

I have the honour to be, with the highest consideration, Sir, your most obedient, humble servant,

(Signed) HALIFAX

The Honourable James F. Byrnes  
Secretary of State of the United States  
Washington, D.C.

#### BRITISH COLONIAL DEPENDENCIES

Aden (Colony and Protectorate)	Jamaica (including Turks and Caicos Islands and the Cayman Islands)
Bahamas	Kenya (Colony and Protectorate)
Barbados	Leeward Islands :
Basutoland	Antigua
Bechuanaland Protectorate	Montserrat
Bermuda	St. Christopher and Nevis
British Guiana	Virgin Islands
British Honduras	Malay States
British Solomon Islands Protectorate	(a) <i>Federated Malay States</i>
Ceylon	Negri Sembilan
Cyprus	Pahang
Falkland Islands and Dependencies	Perak
Fiji	Selangor
Gambia (Colony and Protectorate)	(b) <i>Unfederated Malay States</i>
Gibraltar	Johore
Gilbert and Ellice Islands Colony	Kedah
Gold Coast :	Kelantan
(a) Colony	Perlis
(b) Ashanti	Tregganu
(c) Northern Territories	Brunei
(d) Togoland under British Mandate	Malta
Hong Kong	



Mauritius	Straits Settlements
Nigeria :	Swaziland
(a) Colony	Tanganyika Territory
(b) Protectorate	Tonga
(c) Cameroons under British Mandate	Trans-Jordan
Northern Borneo, State of	Trinidad and Tobago
Northern Rhodesia	Uganda Protectorate
Nyasaland Protectorate	Windward Islands :
Palestine (excluding Trans-Jordan)	Dominica
St. Helena and Dependencies	Grenada
Sarawak	St. Lucia
Seychelles	St. Vincent
Sierra Leone (Colony and Protectorate)	Zanzibar Protectorate
Somaliland Protectorate	

## II

*The British Ambassador at Washington to the Secretary of State of the United States of America*

BRITISH EMBASSY  
WASHINGTON, D.C.

December 15th, 1945

No. 621  
G.238/—/45

Sir,

During the course of the discussions leading up to the Financial Agreement recently concluded between His Majesty's Government in the United Kingdom and the Government of the United States, reference was made to the question of the application to the British Colonial Dependencies of the principles set out in Sections 8 and 9 of the Agreement. I now have the honour to place on record the position and intentions of His Majesty's Government in this regard. A list of the dependencies to which this note applies is contained in a separate note of today's date. It will be noted that this list does not include Southern Rhodesia, Newfoundland or Burma.

2. The dependencies in the list are in various stages of development towards self-government, and there are very wide variations in their constitutional status; accordingly, His Majesty's Government have not, in all the dependencies in question, the constitutional power to override decisions of the local peoples and their Governments and to insist on the full application to those dependencies of the principles contained in the paragraphs referred to, which they have undertaken to observe in the United Kingdom itself. Subject to the

above, it is the intention of His Majesty's Government, in order to secure the fullest compliance in good faith with the spirit of the Financial Agreement, to use every endeavour to see that the practice of the Colonial dependencies accords in these matters with that of the United Kingdom. Insofar, therefore, as His Majesty's Government have authority through normal legislative or administrative channels in the several dependencies, they will ensure that the principles mentioned above are observed; and insofar as they have not such ordinary legislative or administrative power, His Majesty's Government will use every endeavour to persuade the competent authorities to comply with those principles.

3. Your Excellency will no doubt be good enough to inform me of the position and intentions of the Government of the United States in regard to the application to the territories and possessions of the United States of the principles set out in paragraphs 8 and 9 of the Financial Agreement.

4. I enclose a copy of this note for communication to the Secretary of the Treasury.

I have the honour to be, with the highest consideration, Sir, your most obedient, humble servant,

HALIFAX

The Honourable James F. Byrnes  
Secretary of State of the United States  
Washington, D.C.

### III

*The Acting Secretary of State of the United States of America to the British  
Ambassador at Washington*

Jan. 11, 1946

Excellency :

I have the honor to acknowledge the receipt of your two notes of December 15, 1945 in which you place on record the position and intentions of your Government in respect of the application to the colonial dependencies of His Majesty's Government in the United Kingdom of sections 8 and 9 of the Financial Agreement between the United States and the United Kingdom signed on December 6, 1945. I also acknowledge the receipt of the list, transmitted with these notes, of the territories comprised in the term " Colonial dependencies ", which appears in section 6 (iii) of that Agreement.

Sections 8 and 9 of the Agreement relate respectively to the relaxation and removal of exchange restrictions on trade and other current transactions and to the nondiscriminatory applications of quantitative restrictions on imports. I am pleased to note that the Government of the United Kingdom will give full application to these principles in respect of the several dependencies in which it has the authority to do so, and, in the dependencies in which it has not such authority, will use every endeavor to persuade the competent authorities to comply with these principles.

With regard to the application of sections 8 and 9 of the Financial Agreement to the territories and possessions of the United States, the Secretary of the Treasury has undertaken to direct to you a letter setting forth appropriate assurances in this regard.

Accept, Excellency, the renewed assurances of my highest consideration.

Dean ACHESON  
Acting Secretary of State

His Excellency The Right Honorable  
The Earl of Halifax, K. G.  
British Ambassador

#### IV

*The Secretary of the Treasury of the United States of America to the British  
Ambassador at Washington*

Jan. 30, 1946

Sir :

The Acting Secretary of State has referred to me your letter of December 15, 1945 setting forth the position and intention of the Government of the United Kingdom in respect of the application to British colonial dependencies of Sections 8 and 9 of the Financial Agreement between the Governments of the United States and the United Kingdom signed on December 6, 1945.

I have the honor to inform you that Sections 8 and 9 of the Financial Agreement will apply to all of the Territories and possessions of the United States.

Yours respectfully,

(Signed) Fred M. VINSON  
Secretary of the Treasury

His Excellency The Ambassador of Great Britain  
Washington, D.C.

## V

*The Acting Secretary of State to the British Ambassador*

DEPARTMENT OF STATE  
WASHINGTON

July 15, 1946

Excellency :

I have the honor to inform you that on July 15, 1946 there were made available by an Act of Congress of the United States, approved by the President, the funds necessary to extend to the Government of the United Kingdom the line of credit in accordance with the provisions of the Financial Agreement of December 6, 1945 between the Governments of the United States and the United Kingdom.

The effective date of the Agreement, pursuant to Section 1 thereof, is therefore July 15, 1946.

May I request that any communications concerning the operation of the Agreement be addressed to the Secretary of the Treasury and that a copy of such communications be sent to the Secretary of State.

Accept, Excellency, the renewed assurances of my highest consideration.

Dean ACHESON  
Acting Secretary of State

His Excellency The Right Honorable  
The Lord Inverchapel, P.C., G.C.M.G.  
British Ambassador

## VI

*The British Ambassador to the Secretary of State*

BRITISH EMBASSY  
WASHINGTON 8, D. C.

July 15th, 1946

Ref. 35/—/46.

Excellency,

I have the honour to refer to your note of July 15th, 1946, in which you were so good as to inform me that on July 15th, 1946 there were made available by an Act of Congress of the United States, approved by the President, the funds necessary to extend to His Majesty's Government in the United Kingdom

the line of credit in accordance with the provisions of the Financial Agreement of December 6th, 1945, between the Governments of the United States and the United Kingdom, and that the effective date of the Agreement, pursuant to Section 1 thereof, is July 15th, 1946.

2. I have noted your request that any communications concerning the operation of this Agreement should be addressed to the Secretary of the Treasury and that a copy of such communications should be sent to Your Excellency.

Accept, Excellency, the renewed assurances of my highest consideration.

INVERCHAPEL

His Excellency The Honourable James F. Byrnes  
Secretary of State of the United States  
Washington, D. C.