

No. 1798

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

**Financial Agreement (with exchange of letters). Signed  
at London, on 29 September 1951**

*Official text: English.*

*Registered by the United Kingdom of Great Britain and Northern Ireland on  
7 July 1952.*

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

**Accord financier (avec échange de lettres). Signé à Londres,  
le 29 septembre 1951**

*Texte officiel anglais.*

*Enregistré par le Royaume-Uni de Grande-Bretagne et d'Irlande du Nord le  
7 juillet 1952.*

No. 1798. FINANCIAL AGREEMENT<sup>1</sup> BETWEEN THE GOVERNMENT OF THE UNITED KINGDOM OF GREAT BRITAIN AND NORTHERN IRELAND AND THE GOVERNMENT OF PAKISTAN. SIGNED AT LONDON, ON 29 SEPTEMBER 1951

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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 Government of Pakistan,

Having consulted together with a view to making a new Agreement for dealing with the sterling balances of Pakistan during the next six years to replace so far as it applies to Pakistan the Financial Agreement made on the 14th August, 1947,<sup>2</sup> between the Government of the United Kingdom and the Government of India (hereinafter referred to as the Agreement of 1947) as subsequently modified and extended,

Have agreed as follows :—

*Article I*

Any sterling received by the State Bank of Pakistan in respect of current transactions and any sums transferred from the No. 2 Account shall be credited to the No. 1 Account.

*Article II*

1. The No. 2 Account shall be operated in accordance with the provisions of this Article and any sums standing to the credit of the said Account shall be available only for the purposes prescribed in this Article.

2. The No. 2 Account shall be credited with—

(a) the proceeds at maturity or on realisation of any investments purchased in accordance with established custom with funds standing to the credit of the No. 2 Account;

(b) transfers from the No. 1 Account in accordance with paragraph 2 of Article VII;

(c) such other transfers as may be agreed between the two Governments.

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<sup>1</sup> Came into force on 29 September 1951, with retroactive effect from 1 July 1951, in accordance with article XI.

<sup>2</sup> United Nations, *Treaty Series*, Vol. 11, p. 371, and p. 128 of this volume.

3. The No. 2 Account shall be debited with—

(a) transfers in accordance with Articles IV, V, and VI and paragraph 2 of Article VII;

(b) payments in respect of investments made in accordance with established custom;

(c) such other transfers as may be agreed between the two Governments.

### *Article III*

1. The Government of the United Kingdom shall not restrict the availability of sterling standing to the credit of the No. 1 Account for payments for current transactions in any currency area or for the purpose of any payment to residents of the Scheduled Territories.

2. The Government of Pakistan shall not restrict :—

(a) the acceptance by residents of Pakistan, in settlement of payments for current transactions, of sterling at the disposal of residents outside Pakistan;

(b) the availability of any Pakistan rupees arising from permitted current transactions and accruing to residents of the Scheduled Territories for any payments inside Pakistan or for the purchase of sterling.

### *Article IV*

There shall be transferred forthwith from the No. 2 Account to the No. 1 Account the sum of £30 million to be held by the State Bank of Pakistan as a currency reserve. It is the intention of the Government of Pakistan not to draw upon this sum and it agrees not to do so without previous consultation with the Government of the United Kingdom.

### *Article V*

The Government of the United Kingdom shall make available to the Government of Pakistan, against sterling from No. 2 Account, gold to the value of £4 million to form an addition to the gold reserve of the State Bank of Pakistan.

### *Article VI*

1. The balance from time to time standing to the credit of the No. 2 Account, after the transfers provided for in this Agreement have been made, shall be transferred to the No. 1 Account in instalments of £4 million in each of the

six periods of twelve months beginning on the 1st July, 1951. Each instalment shall be transferred within the appropriate period of 12 months as and when requested by the State Bank of Pakistan.

2. If at any time it shall be the view of the Government of the United Kingdom and the Government of Pakistan that Pakistan's essential requirements of foreign exchange make necessary the release of larger sums from the No. 2 Account the two Governments shall consult together with a view to arranging for any necessary acceleration in the rate of release provided for in the preceding paragraph.

#### *Article VII*

1. Such transfers of capital from Pakistan to the rest of the Scheduled Territories and vice versa as may be agreed between the State Bank of Pakistan and the Bank of England shall be subject to the provisions of paragraph 2 of this Article.

2. The State Bank of Pakistan and the Bank of England shall consult together at agreed intervals in order to establish by reference to the best statistical data available to them the net capital movement from Pakistan to the other Scheduled Territories or vice versa as the case may be, resulting from the agreed transfers of capital. Thereafter an amount equal to the net capital movement so established shall be transferred from the No. 2 Account to the No. 1 Account if the movement is one from Pakistan to the other Scheduled Territories or from the No. 1 Account to the No. 2 Account if the movement is in the reverse direction.

3. Notwithstanding anything in this Article the two Governments shall not restrict transfers of capital from Pakistan to the United Kingdom representing—

(a) remittances of savings belonging to persons of United Kingdom origin leaving Pakistan in order to take up permanent residence in the United Kingdom; and

(b) the voluntary repatriation of investments by persons regarded as resident in the United Kingdom for purposes of exchange control in the United Kingdom.

4. Transfers of capital falling within the preceding paragraph shall be included in the computations for which paragraph 2 provides.

#### *Article VIII*

1. The two Governments shall as often as may be necessary consult together with a view to ensuring the smooth working of the present Agreement.

2. The State Bank of Pakistan and the Bank of England shall be entrusted with the technical execution of this Agreement and shall consult together as often as may be necessary in order to ensure its smooth working.

*Article IX*

The arrangements relating to the sterling pensionary obligations of the Dominion of Pakistan and of the Provinces of Pakistan, contained in Sir Stafford Cripps' letter to Mr. Ghulam Mohammed of 14th July, 1948,<sup>1</sup> except paragraph 3 thereof, shall continue to be operative.

*Article X*

For the purposes of the present Agreement—

(a) the No. 1 Account and the No. 2 Account shall mean respectively the No. 1 Account and the No. 2 Account of the State Bank of Pakistan opened with the Bank of England under the provisions of the Agreement of 1947.

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

(c) the expression " payments for current transactions " shall have the same meaning as in Article XIX (i) of the Articles of Agreement of the International Monetary Fund.<sup>2</sup>

*Article XI*

This Agreement shall replace so far as it applies to Pakistan the Agreement of 1947 as subsequently modified and extended. It shall come into force with effect from 1st July, 1951, and shall terminate on 30th June, 1957. Further consultations shall be held before the termination of this Agreement with a view to extending it or replacing it by another Agreement.

IN WITNESS THEREOF the undersigned, being duly authorised thereto by their respective Governments, have signed the present Agreement.

DONE at London this 29th day of September, 1951, in duplicate.

For the Government of the United Kingdom :  
Hugh GAITSKELL

For the Government of Pakistan :  
Habib RAHIMTOOLA

<sup>1</sup> See p. 142 of this volume.

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

## EXCHANGE OF LETTERS

## I

*Chancellor of the Exchequer to High Commissioner for Pakistan*

TREASURY CHAMBERS  
GREAT GEORGE STREET  
LONDON, S.W. 1

29th September, 1951

My dear High Commissioner,

As a result of the discussions which have taken place between us, we agreed that, although the Agreement embodying the result of these discussions is expressed as being for six years, there is no intention on the part of the Government of the United Kingdom thereafter to depart from the provisions of Article III, paragraph 1, nor on the part of the Government of Pakistan thereafter to depart from the provisions of Article IV.

I should be grateful if you would confirm that I have correctly recorded our understanding.

Yours sincerely,

Hugh GAITSKELL

His Excellency Mr. Habib Ibrahim Rahimtoola

## II

*High Commissioner for Pakistan to Chancellor of the Exchequer*

OFFICE OF THE HIGH COMMISSIONER FOR PAKISTAN  
34/36, LOWNDES SQUARE  
LONDON, S.W. 1

29th September, 1951

My dear Chancellor,

I have to acknowledge receipt of your letter of to-day's date reading as follows :—

[*See letter I*]

I have pleasure in confirming that the understanding of your Government, as set out in that letter, is accepted by my Government.

Yours sincerely,

Habib I. RAHIMTOOLA

The Rt. Hon. H. T. N. Gaitskell, C.B.E., M.P.