

No. 2628

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

Financial Agreement. Signed at New Delhi, on 20 July 1953

Official texts: English and Hindi.

*Registered by the United Kingdom of Great Britain and Northern Ireland on
9 August 1954.*

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

Accord financier. Signé à New-Delhi, le 20 juillet 1953

Textes officiels anglais et hindou.

*Enregistré par le Royaume-Uni de Grande-Bretagne et d'Irlande du Nord le
9 août 1954.*

No. 2628. FINANCIAL AGREEMENT¹ BETWEEN THE GOVERNMENT OF THE UNITED KINGDOM OF GREAT BRITAIN AND NORTHERN IRELAND AND THE GOVERNMENT OF INDIA. SIGNED AT NEW DELHI, ON 20 JULY 1953

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 India,

Having consulted together with a view to making a new Agreement for dealing with the sterling balances of India during the six years beginning on 1st July, 1951 to replace the Financial Agreement made on the 14th August, 1947,² 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 Reserve Bank of India 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 V and paragraph 2 of Article VII;

(c) Such other items as may be agreed between the two Governments.

¹ Came into force on 1 July 1951, in accordance with article XI.

² United Nations, *Treaty Series*, Vol. 11, p. 371, and Vol. 134, p. 70.

3. In so far as the appropriate transfers have not already taken place, the No. 2 Account shall be debited with : —

(a) Transfers in accordance with Article IV, para. 1 of Article V, Article VI and paragraph 2 of Article VII;

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

(c) Such other items 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 India shall not restrict : —

(a) The acceptance by residents of India, in settlement of payments for current transactions, of sterling at the disposal of residents of other Scheduled Territories, and, in accordance with current practice, of sterling at the disposal of residents outside the Scheduled Territories;

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

Article IV

In respect of the sum of £ 310 million transferred from the No. 2 Account to the No. 1 Account and held by the Reserve Bank of India as a currency reserve, it is the intention of the Government of India 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

1. In so far as the appropriate transfers have not already been effected in accordance with the provisions of the Agreement of 1947 there shall also be transferred from the No.2 Account to the No. 1 Account the equivalent of any sums paid from the No. 1 Account after the 15th July, 1947, in respect of : —

(a) The settlement of any matters outstanding under the Defence Expenditure Plan and of any other accounts relating to transactions which were connected with the War and took place prior to the 15th July, 1947;

(b) Payments outside India as a result of Agreements for the release of assets which were vested in the Indian Custodian of Enemy Property.

2. In so far as the appropriate transfers have not already been effected in accordance with the Agreement of 1947, there shall be transferred from the No. 1 Account to the No. 2 Account the equivalent of any sums paid into the No. 1 Account after the 15th July, 1947, in respect of the settlement of any matters outstanding under the Defence Expenditure Plan and of any other accounts relating to transactions which were connected with the War and took place prior to the 15th July, 1947.

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 not exceeding £ 35 million in each of the six periods of twelve months beginning on the 1st July, 1951, provided that: —

(a) Transfers shall only take place as may be necessary to maintain a minimum balance on the No. 1 Account of £ 30 million in addition to the amount then held on that account as a currency reserve in accordance with the provisions of Article IV of this Agreement;

(b) Any part of the £ 35 million transferable in any period of twelve months not transferred during that period shall be carried forward and added to the sums available for transfer, subject to sub-section (a) of this paragraph, during the later periods.

2. If it should appear to the Government of India that in any particular period of twelve months the requirements for sterling from the No. 2 Account are likely to exceed £ 35 million, the transfers due in the next subsequent period may be anticipated to the extent of £ 5 million and may be made, subject to sub-section (a) of paragraph 1 of this Article, without further consultation between the two Governments. If the Government of India consider that anticipation to a greater extent is necessary, the two Governments shall consult together with a view to providing such further anticipation of transfers as may be appropriate.

3. The transfers referred to in paragraphs 1 and 2 of this Article shall not include the transfers provided for in Articles IV, V and VII of this Agreement.

4. If at any time during the period covered by this Agreement transfers from the No. 2 Account to the No. 1 Account appear to be taking place at a rate significantly higher than is consistent with the agreed annual rate, either Government shall have the right to ask that the position should be discussed between the two Governments.

5. Any balance remaining on the No. 2 Account on the 30th June, 1957, shall be transferred to the No. 1 Account.

Article VII

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

2. The Reserve Bank of India 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 India 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 India 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 India to the United Kingdom representing : —

(a) Remittances of savings belonging to persons of United Kingdom origin leaving India 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 of this Article 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 Reserve Bank of India 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 India and the Provinces of India contained in Sir Stafford Cripps' two letters to Mr. R. K. Shanmukham Chetty of 9th July, 1948,¹ shall continue to be operative.

¹ United Nations, *Treaty Series*, Vol. 134, p. 70.

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 Reserve Bank of India 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.¹

Article XI

The preceding provisions of this Agreement shall have effect as from 1st July, 1951, and shall terminate on 30th June, 1957. This Agreement shall replace the Agreement of 1947 as subsequently modified and extended. 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 WHEREOF the undersigned, being fully authorised thereto by their respective Governments, have signed this Agreement in each of the English and Hindi languages, in two parts both of which texts are equally authentic except that in the case of any dispute arising as to the interpretation of the terms of this Agreement, the English version shall prevail.

DONE at New Delhi this twentieth day of July 1953.

For the Government of the United Kingdom :

Signed by : (illegible)

In the presence of : (illegible)

For the Government of India :

Signed by : (illegible)

In the presence of : (illegible)

¹ United Nations, *Treaty Series*, Vol. 2, p. 39; Vol. 19, p. 280, and Vol. 141, p. 355.