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No. 9820

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

**Exchange of letters constituting an agreement concerning the
Guarantee by the Government of the United Kingdom and
the maintenance of the Minimum Sterling Proportion by
the Government of Pakistan. London, 25 September
1968**

Authentic text: English.

*Registered by the United Kingdom of Great Britain and Northern Ireland on
26 August 1969.*

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

**Échange de lettres constituant un accord relatif à la garantie
par le Gouvernement du Royaume-Uni et au maintien par
le Gouvernement du Pakistan d'un pourcentage minimum
de réserves en sterling. Londres, 25 septembre 1968**

Texte authentique: anglais.

*Enregistré par le Royaume-Uni de Grande-Bretagne et d'Irlande du Nord le
26 août 1969.*

EXCHANGE OF LETTERS CONSTITUTING AN AGREEMENT¹ BETWEEN THE GOVERNMENT OF THE UNITED KINGDOM OF GREAT BRITAIN AND NORTHERN IRELAND AND THE GOVERNMENT OF PAKISTAN CONCERNING THE GUARANTEE BY THE GOVERNMENT OF THE UNITED KINGDOM AND THE MAINTENANCE OF THE MINIMUM STERLING PROPORTION BY THE GOVERNMENT OF PAKISTAN

I

The Chancellor of the Exchequer to the Minister of Finance of Pakistan

TREASURY CHAMBERS

Great George Street, S.W.1

25th September 1968

Dear Minister of Finance,

I refer to discussions which have taken place between the Government of the United Kingdom of Great Britain and Northern Ireland and the Government of Pakistan and I record below the points which have been agreed between the two Governments on the Guarantee by the Government of the United Kingdom and the maintenance of the Minimum Sterling Proportion by Pakistan.

(1) *Definitions*

Unless otherwise agreed :

- (a) " Total official external reserves " shall mean :
- (i) gold;
 - (ii) super-gold tranche in the International Monetary Fund, i.e., the extent to which the Fund's holdings of Pakistani Rupees fall short of 75 per cent of Pakistan's quota;
 - (iii) cash, bank balances, money at call, time deposits, certificates of deposit, bank acceptances, bills of exchange, and promissory notes denominated in freely transferable currencies other than the currency of Pakistan;
 - (iv) Treasury bills and other obligations issued or guaranteed by Governments of their agencies, states, provinces, municipalities and international organisations, denominated in freely transferable currencies other than the

¹ Came into force on 25 September 1968, in accordance with the provisions of the said letters.

currency of Pakistan but excluding all obligations of the Government of Pakistan or its territorial sub-divisions or agencies;

- (v) common or ordinary stock and shares, preferred stock and shares, redeemable and irredeemable interest-bearing securities issued by companies or corporations which are quoted on a recognised security market, and units in Unit Trusts and shares in Mutual Funds wherever such companies, corporations, Trusts or Funds may be domiciled other than in Pakistan,

which are held in the name or to the order of the State Bank of Pakistan, the Government of Pakistan, its agencies and other official institutions.

- (b) "Official sterling reserves" shall mean :
 - (i) cash, bank balances, money at call, time deposits, certificates of deposit, bank acceptances, bills of exchange, promissory notes;
 - (ii) Treasury bills and other obligations issued or guaranteed by Governments or their agencies, states, provinces and municipalities and international organisations but excluding all obligations of the Government of Pakistan or its territorial sub-divisions or agencies;
 - (iii) the following securities issued by companies having their registered office and Head Office in the United Kingdom and quoted on a Stock Exchange in the United Kingdom, and units in United Kingdom Unit Trusts :
 - (a) common or ordinary stock and shares and preferred stock and shares on which capital moneys and dividends are payable solely in sterling;
 - (b) units in Unit Trusts on which, under the terms of issue, capital moneys are payable solely in sterling on liquidation or realisation;
 - (c) redeemable interest-bearing securities on which capital moneys are payable solely in sterling;
 - (d) irredeemable interest-bearing securities on which interest is payable solely in sterling,

which are denominated in sterling and which are held in the name or to the order of the State Bank of Pakistan, the Government of Pakistan, its agencies and other official institutions with banks or other depositaries in the United Kingdom and which are included in total official external reserves.

(2) *The Guarantee*

The Government of the United Kingdom undertake to maintain the sterling value in terms of the United States dollar of the balances eligible for guarantee, provided that the Minimum Sterling Proportion referred to below has been maintained by Pakistan up to

and including the date of implementation of the Guarantee. The circumstances in which the Guarantee would be implemented and the terms of implementation shall be defined in consultation between the two Governments.

(3) *Balances Eligible for Guarantee*

The balances eligible for guarantee shall be that portion of official sterling reserves by which those official sterling reserves exceed 10 per cent of total official external reserves as defined in paragraph (1) (a) above, except that no part of official sterling reserves falling under or bearing a right to conversion into a security covered by (a) and (b) of paragraph (1) (b) (iii) above shall be eligible for guarantee.

(4) *The Minimum Sterling Proportion*

Pakistan shall throughout the period covered by the Agreement maintain official sterling reserves in such proportion to total official external reserves as may be fixed by consultation between the two Governments. This proportion shall be known as the Minimum Sterling Proportion.

(5) *Review*

(a) The provisions of the Agreement may be reviewed at any time by agreement between both parties.

(b) The provisions of the Agreement shall be reviewed within six months prior to the expiry of a period of three years from the date of entry into force of the Agreement.

(6) *Entry into Force and Duration*

The Agreement shall enter into force on the 25th September 1968 and shall remain in force for a period of three years and may be extended for a further two years by agreement between both parties.

2. If the Government of Pakistan agree that the foregoing correctly sets out the points agreed between the two Governments, I propose that this letter and your reply to that effect shall constitute an Agreement between the Government of the United Kingdom of Great Britain and Northern Ireland and the Government of Pakistan.

Yours sincerely,

Roy JENKINS

II

The Minister of Finance of Pakistan to the Chancellor of the Exchequer

MINISTRY OF FINANCE
GOVERNMENT OF PAKISTAN

London, 25th September 1968

Dear Chancellor of the Exchequer,

I refer to your letter of today's date recording the points which have been agreed between our two Governments on the Guarantee by the Government of the United Kingdom and the maintenance of the Minimum Sterling Proportion by Pakistan which reads as follows :

[See letter I]

2. I confirm that your letter correctly sets out the points agreed between our two Governments and I agree that your letter and this reply shall constitute an Agreement between the Government of the United Kingdom of Great Britain and Northern Ireland and the Government of Pakistan.

Yours sincerely,

N. M. UQUAILI