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No. 9818

**UNITED KINGDOM OF GREAT BRITAIN
AND NORTHERN IRELAND
and
NEW ZEALAND**

**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 New Zealand. Wellington,
24 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
NOUVELLE-ZÉLANDE**

**Échange de lettres constituant un accord relatif à la garantie
par le Gouvernement du Royaume-Uni et au maintien par
le Gouvernement de la Nouvelle-Zélande d'un pourcen-
tage minimum de réserves en sterling. Wellington,
24 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 NEW ZEALAND CONCERNING THE GUARANTEE BY THE GOVERNMENT OF THE UNITED KINGDOM AND THE MAINTENANCE OF THE MINIMUM STERLING PROPORTION BY THE GOVERNMENT OF NEW ZEALAND

I

*The United Kingdom High Commissioner at Wellington to
the Prime Minister of New Zealand*

BRITISH HIGH COMMISSION

Wellington, 24 September 1968

My dear Prime Minister,

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 New Zealand and 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 New Zealand :

(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 New Zealand dollars fall short of 75 per cent of New Zealand'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 New Zealand;
- (iv) Treasury bills and other obligations issued or guaranteed by Governments or 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 New Zealand, but excluding all obligations of the Government of New Zealand 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 New Zealand,

which are held in the name or to the order of the Reserve Bank, the Government of New Zealand, 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 by Governments or their agencies, states, provinces and municipalities and international organisations, but excluding all obligations of the Government of New Zealand 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 the 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 Reserve Bank, the Government of New Zealand, its agencies and other official institutions with banks or other depositories 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 New Zealand 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*

New Zealand 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.

(c) If, during the operation of the Agreement, the United Kingdom imposes further restrictions on the flow of capital from the United Kingdom to New Zealand, there shall be immediate consultation between the parties.

(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 New Zealand agrees 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 New Zealand.

Yours sincerely,

Ian MACLENNAN

II

*The Prime Minister of New Zealand to the United Kingdom
High Commissioner at Wellington*

PRIME MINISTER'S OFFICE

Wellington, 24 September 1968

My dear High Commissioner,

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 New Zealand, which reads as follows :

[*See letter I*]

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

Yours sincerely,

Keith HOLYOAKE