

No. 27036

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

**Exchange of notes constituting an agreement on certain commercial debts (with annex). Belgrade, 29 July 1987**

*Authentic texts: English and Serbo-Croatian.*

*Registered by the United Kingdom of Great Britain and Northern Ireland on 19 January 1990.*

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

**Échange de notes constituant un accord relatif à certaines dettes commerciales (avec annexe). Belgrade, 29 juillet 1987**

*Textes authentiques : anglais et serbo-croate.*

*Enregistré par le Royaume-Uni de Grande-Bretagne et d'Irlande du Nord le 19 janvier 1990.*

EXCHANGE OF NOTES CONSTITUTING AN AGREEMENT<sup>1</sup> BETWEEN THE GOVERNMENT OF THE UNITED KINGDOM OF GREAT BRITAIN AND NORTHERN IRELAND AND THE FEDERAL COUNCIL OF THE ASSEMBLY OF THE SOCIALIST FEDERAL REPUBLIC OF YUGOSLAVIA, THE GOVERNMENT OF YUGOSLAVIA ON CERTAIN COMMERCIAL DEBTS (UNITED KINGDOM/YUGOSLAVIA DEBT AGREEMENT No. 3 (1986))

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*Her Majesty's Ambassador at Belgrade to the Director in the Federal Secretariat for Finance of the Socialist Federal Republic of Yugoslavia*

BRITISH EMBASSY  
BELGRADE

29 July 1987

Your Excellency,

I have the honour to refer to the Agreed Minute on the Consolidation of the Debt of the Socialist Federal Republic of Yugoslavia which was signed by the Participating Creditor Countries and representatives of the Federal Executive Council of the Assembly of the Socialist Federal Republic of Yugoslavia, the Government of Yugoslavia, in Paris on 13 May 1986, to provide alleviation of that country's external debt service obligation and to inform Your Excellency that the Government of the United Kingdom of Great Britain and Northern Ireland is prepared to provide debt relief to the Federal Executive Council of the Assembly of the Socialist Federal Republic of Yugoslavia, the Government of Yugoslavia, on the terms and conditions set out in the attached Annex.

If these terms and conditions are acceptable to the Federal Executive Council of the Assembly of the Socialist Federal Republic of Yugoslavia, the Government of Yugoslavia, I have the honour to propose that this Note, together with it Annex, and your reply to that effect shall constitute an Agreement between the two Governments in this matter which shall be known as 'the United Kingdom/Yugoslavia Debt Agreement No. 3 (1986)'. This Exchange of Notes, together with the Annex hereto, shall apply provisionally from the date of your reply and shall enter into force definitively on ratification, in accordance with the laws in force in Yugoslavia; it shall remain in force until all amounts due under the attached Annex have been paid.

I have the honour to convey to Your Excellency the assurance of my highest consideration.

A. M. WOOD

<sup>1</sup> Came into force provisionally on 29 July 1987, the date of the note in reply, and definitively on 5 January 1988 by ratification by Yugoslavia, in accordance with the provisions of the said notes.

## ANNEX

*Section I. DEFINITIONS AND INTERPRETATION*

(1) In this Annex, unless the contrary intention appears:

(a) "Agreed Minute" means the Agreed Minute on the Consolidation of the Debt of the Socialist Federal Republic of Yugoslavia which was signed at the Conference held in Paris on 13 May 1986.

(b) "The Bank" means Udruzena Beogradska Banka of 2-4 Knez Mihajlova 11000 Beograd, Yugoslavia which has been nominated by the Federal Executive Council to act as its agent.

(c) "The First Consolidation Period" means the period from 16 May 1986 to 15 May 1987 inclusive.

(d) "The Second Consolidation Period" means the period from 16 May 1987 to 31 March 1988 inclusive.

(e) "Contract" means a contract concluded before 2 December 1982 the parties to which include a Debtor and a Creditor and which is either for the sale of goods and/or services from outside Yugoslavia to a buyer in Yugoslavia or is in respect of the financing of such a sale and which in either case granted or allowed credit to the Debtor for a period exceeding one year.

(f) "Creditor" means a person or body of persons or corporation resident or carrying on business in the United Kingdom or any successor in title thereto.

(g) "Currency of the Debt" means the currency specified in the relevant Contract as being the currency in which that Debt is to be paid.

(h) "Debt" means any debt to which, by virtue of the provisions of Section 2(1), the provisions of this Annex apply.

(i) "Debtor" means any organisation of associated labour or business bank carrying on business in Yugoslavia or any successor in title hereto.

(j) "The Department" means the Secretary of State of the Government of the United Kingdom acting through the Export Credits Guarantee Department or any other Department of the Government of the United Kingdom which that Government may subsequently nominate for the purposes hereof.

(k) "Federal Executive Council" means the Federal Executive Council of the Assembly of the Socialist Federal Republic of Yugoslavia, the Government of Yugoslavia.

(l) "The Government of the United Kingdom" means the Government of the United Kingdom of Great Britain and Northern Ireland.

(m) "The Loan Agreements" means the agreements to be entered into between the parties to the Loans.

(n) "Loans" means the refinancing loans specified in Section 3.

(o) "Maturity" in relation to a Debt means the due date for the payment or repayment thereof under the relevant Contract or on a promissory note or bill of exchange drawn up pursuant thereto.

(p) "Previous Agreements" means the Agreements signed on 6 December 1984<sup>1</sup> and 7 February 1986 between the Government of the United Kingdom of Great Britain and Northern Ireland and the Federal Executive Council of the Assembly of the Socialist Federal Republic of Yugoslavia, the Government of Yugoslavia, on Certain Commercial Debts.

<sup>1</sup> United Nations, *Treaty Series*, vol. 1426, p. 307.

(q) "Recognised Bank" means a bank, including a bank participating in a lending syndicate or in a syndicate led by banks, which has received a guarantee issued by the Department in respect of loan or financial agreement.

(r) "Reference Rate" means the arithmetic mean (rounding upwards where necessary to the nearest multiple of 1/16th (one sixteenth) of one per cent) of the rates quoted to the Department at its request by three Reference Banks (being banks to be agreed upon between the Department and the Bank) at which six-month sterling deposits, in the case of Debts denominated in sterling, and six-month eurodollar deposits in the case of Debts denominated in US dollars, are or were offered to the Reference Banks by prime banks in the London Interbank Market at 11 AM (London time) two business days before the commencement of an interest period.

(s) "United Kingdom" means the United Kingdom of Great Britain and Northern Ireland and for the purposes of Section 1(1)(f), Section 1(1)(t) and Section 8 includes the Channel Islands and the Isle of Man.

(t) "United Kingdom Bank" means a bank carrying on business in the United Kingdom or a syndicate led by such a bank.

(2) All references to interest, excluding contractual interest, shall be to interest accruing from day to day and calculated on the basis of actual days elapsed and a year of 365 days in the case of Debts denominated in sterling or of 360 days in the case of Debts denominated in US dollars.

(3) Where the context of this Annex so allows words importing the singular include the plural and vice versa.

(4) Unless otherwise indicated reference to a specified Section shall be construed as a reference to that specified Section of this Annex.

(5) The headings to the Sections are for ease of reference only.

### Section 2. THE DEBT

(1) The provisions of this Annex shall, subject to the provisions of paragraph (2) of this Section, apply to any amount owed by a Debtor to a Creditor and which:

- (a) Arises under or in relation to a Contract or any agreement supplemental thereto;
- (b) Fell due or will fall due during either the First Consolidation Period or the Second Consolidation Period and which remains unpaid;
- (c) Is guaranteed by the Department as to payment according to the terms of the Contract;
- (d) Is the subject of a loan or financial agreement where the Creditor is a Recognised Bank;
- (e) Is not expressed by the terms of the Contract to be payable in Yugoslav dinars;
- (f) Does not arise from an amount payable upon or as a condition of the formation of the Contract or upon or as a condition of the cancellation or termination of the Contract; and
- (g) Does not arise from an amount payable under the Previous Agreements nor to any payments due under the terms of the loans described in Article 3 of those Previous Agreements.

(2) The Department and the Bank shall, as soon as possible, agree and draw up a list of Debts ("the Debt List") to which, by virtue of the provisions of this Section, this Annex applies. The Debt List may be reviewed from time to time at the request of the Department or of the Bank but may not be added to or amended without the agreement of both the Department and the Bank. Delay in the completion of the Debt List shall not prevent or delay the implementation of the other provisions of this Annex.

### Section 3. REFINANCING LOANS

(1) The Department shall procure that a Loan or series of Loans, denominated in either sterling of United States dollars, shall be arranged between a United Kingdom Bank or other

lending institution and the Bank to provide for certain payments to be made in respect of the Debts. The terms of the Loans shall, in accordance with the Agreed Minute, provide for the refinancing of:

- (a) 85 per cent of each Debt which fell due, or will fall due, during the First Consolidation Period and which remains unpaid; and
- (b) Provided that the notification required by Section IV, paragraph 5, of the Agreed Minute has been issued, a percentage of principal to be determined in accordance with Section IV, paragraph 5(d), of the Agreed Minute in respect of each Debt which fell due, or will fall due, during the Second Consolidation Period and which remains unpaid.

(2) Repayment of the Loans shall be made by the Bank acting as agent of the Federal Executive Council as follows:

- (a) In respect of Debts provided for in paragraph (1)(a) of this Section: 100 per cent by 10 equal consecutive half-yearly instalments on 30 April and 31 October each year commencing on 30 April 1991; and
- (b) In respect of Debts provided for in paragraph 1(b) of this Section: 100 per cent by 10 equal and consecutive half-yearly instalments on 31 March and 30 September each year commencing on 31 March 1992.

(3) The rate of interest applicable to the Loans shall be 0.5 per cent above the London Interbank Offered Rate, as will be defined in the Loan Agreements and such interests shall be payable half-yearly in arrears.

(4) The Federal Executive Council guarantees in the name of and on behalf of the Socialist Republic of Yugoslavia that all payments to be made by the Yugoslav Bank under the Loan Agreement shall be made in sterling in London on the due date in respect of the sterling Loans and United States dollars in New York on the due date in respect of the United States dollar Loans as in both cases provided for in the respective Loan Agreements, and that the Loans will be used only for the purposes recited in the Loan Agreements.

#### Section 4. TRANSFER SCHEME FOR PAYMENTS TO CREDITORS

The Bank, acting as agent of the Federal Executive Council, shall pay to the relevant Creditor in the Currency of the Debt, in the United Kingdom, the following:

- (a) In respect of each Debt which fell due, or will fall due, during the First Consolidation Period and which remains unpaid by the Debtor: the contractual interest and 15 per cent of principal on the original due date for payment under the terms of the Contract;
- (b) In respect of each Debt which fell due, or will fall due, during the Second Consolidation Period and which remains unpaid by the Debtor: the contractual interest and the remaining percentage of principal on the original due date for payment under the terms of the Contract.

#### Section 5. INTEREST

(1) Until any Debt is refinanced in accordance with Section 3(1), interest on that Debt shall be deemed to have accrued and shall accrue during, and shall be payable in respect of, the period from Maturity until the refinancing of the Debt in accordance with Section 3(1). Such interest shall be paid half-yearly on 30 April and 31 October each year commencing on 31 October 1987.

(2) The Bank, acting as agent of the Federal Executive Council, shall be liable for and shall pay and transfer such interest to the Department in accordance with the provisions of this Section and of Section 6(1).

(3) If any amount of interest payable in accordance with the provisions of this Section is not paid on the due date for payment thereof the Bank, acting as agent of the Federal Executive Council, shall pay to the Department interest on such amount of overdue interest. Such additional interest shall accrue from day to day from the due date for payment in

accordance with the provisions of this Section to the date of receipt of the payment by the Department and shall be payable without further notice or demand of any kind.

(4) All interest payable in accordance with the provisions of this Section shall be paid at the rate of 0.5 per cent above the Reference Rate for the period in question.

#### *Section 6. PAYMENTS TO THE DEPARTMENT*

(1) As and when payments become due under the terms of Section 5, the Bank, acting as agent of the Federal Executive Council, shall arrange for the necessary amounts to be paid and transferred in the Currency of the Debt to the Department in the United Kingdom. Payment to the Department shall be made to an account details of which shall be notified by the Department to the Bank. In this respect the Department shall be regarded as acting as agent for each Creditor concerned.

(2) The Bank shall give the Department full particulars of the Debts and/or interest to which the transfers relate.

#### *Section 7. EXCHANGE OF INFORMATION*

The Department and the Bank acting as agent of the Federal Executive Council shall exchange all information required for the implementation of this Annex.

#### *Section 8. OTHER DEBT SETTLEMENTS*

(1) The Federal Executive Council undertakes to comply with the conditions of Section III, paragraphs 1, 2 and 3, of the Agreed Minute and agrees to accord to the United Kingdom terms no less favourable than agreed with any other creditor country notwithstanding any provisions of this Annex to the contrary.

(2) The provisions of paragraph (1) of this Section shall not apply to matters relating to the payment of interest determined by Section 5.

#### *Section 9. PRESERVATION OF RIGHTS AND OBLIGATIONS*

This Annex and its implementation shall not affect the rights and obligations of any Creditor or Debtor under a Contract other than those in respect of which the parties hereto are authorised to act respectively on behalf of and to bind such Creditor and Debtor.

#### *Section 10. GOODWILL CLAUSE*

The Government of the United Kingdom acknowledges its commitment to Section IV, paragraph 6 of the Agreed Minute.