

No. 27664

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

Exchange of notes constituting an agreement concerning certain commercial debts (with annex). Warsaw, 7 August 1986

Authentic text: English.

Registered by the United Kingdom of Great Britain and Northern Ireland on 23 November 1990.

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

Échange de notes constituant un accord relatif à certaines dettes commerciales (avec annexe). Varsovie, 7 août 1986

Texte authentique : anglais.

Enregistré par le Royaume-Uni de Grande-Bretagne et d'Irlande du Nord le 23 novembre 1990.

EXCHANGE OF LETTERS CONSTITUTING AN AGREEMENT¹ BETWEEN THE GOVERNMENT OF THE UNITED KINGDOM OF GREAT BRITAIN AND NORTHERN IRELAND AND THE GOVERNMENT OF THE POLISH PEOPLE'S REPUBLIC ON CERTAIN COMMERCIAL DEBTS

I

*Her Majesty's Ambassador at Warsaw to the Director of the Foreign Department
of the Ministry of Finance of Poland*

BRITISH EMBASSY
WARSAW

7 August 1986

Sir,

I have the honour to refer to the Agreed Minute on the Consolidation of the Debt of the Polish People's Republic which was signed at the Conference held in Paris on 19 November 1985 and to inform you that the Government of the United Kingdom of Great Britain and Northern Ireland is prepared to provide debt relief to the Government of the Polish People's Republic on the terms and conditions set out in the attached Annex.

If these terms and conditions are acceptable to the Government of the Polish People's Republic, I have the honour to propose that this Letter, together with its 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/Poland Debt Agreement No. 3 (1985)' and shall enter into force on the date of your reply and remain in force until the last of the payments to be made to the Department under this Agreement has been made.

I have the honour to convey to you, Sir, the assurance of my high consideration.

B. L. BARDER

¹ Came into force on 7 August 1986, the date of the letter in reply, in accordance with the provisions of the said letters.

ANNEX**SECTION 1****Definitions and Interpretation**

- (1) In this Annex, unless the contrary intention appears:
 - (a) “the Bank” means Bank Handlowy W Warszawie SA;
 - (b) “Contract” means a contract entered into before 1 January 1984 the parties to which include a Debtor and a Creditor and which is either for the sale of goods and/or services from outside Poland to a buyer in Poland 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;
 - (c) “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;
 - (d) “Currency of the Debt” means the currency specified in the relevant Contract as being the currency in which that Debt is to be paid;
 - (e) “Debt” means any Debt to which, by virtue of the provisions of Section 2 and of the operation of the rules specified in Section 8, the provisions of this Annex apply;
 - (f) “Debtor” means the Government of Poland (whether as primary debtor or as guarantor) or any person or body of persons or corporation resident or carrying on business in Poland or any successor in title thereto;
 - (g) “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;
 - (h) “the Government of Poland” means the Government of the Polish People’s Republic;
 - (i) “the Government of the United Kingdom” means the Government of the United Kingdom of Great Britain and Northern Ireland;
 - (j) “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;
 - (k) “United Kingdom” means the United Kingdom of Great Britain and Northern Ireland and includes the Channel Islands and the Isle of Man.
- (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 and the rules specified in paragraph (1) of Section 8, apply to every Debt, whether of principal or of contractual interest accruing up to Maturity, 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 between 1 January 1985 and 31 December 1985 (both dates inclusive) and remains unpaid;
- (c) is guaranteed by the Department as to payment according to the terms of the Contract; and
- (d) is not expressed by the terms of the Contract to be payable in Polish zloty.

(2) The provisions of this Annex shall not apply to so much of any Debt as arises 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.

(3) The provisions of this Annex shall not apply to any Debts covered by the previous two consolidations, or to any payments due as a result of those consolidations and the bridging finance arranged in 1981.

SECTION 3

Transfer Scheme

The Government of Poland shall, subject to the rules specified in paragraph (3) of Section 8, pay and transfer to the Department an amount equal to 100 per cent of each Debt provided for in this Annex by ten equal and consecutive half-yearly instalments on 1 January and 1 July each year commencing on 1 January 1991.

SECTION 4

Interest

(1) The Government of Poland shall be liable for and shall, subject to the rules specified in paragraph (3) of Section 8, pay to the Department in accordance with the provisions of this Section interest on Debt to the extent that it has not been settled by payment to the Department, in the United Kingdom, pursuant to Section 3.

(2) Interest on the balance of each Debt shall be deemed to have accrued and shall accrue during, and shall be payable in respect of, the period from Maturity until the settlement of that Debt by payment to the Department as aforesaid, and shall be paid and transferred to the Department half-yearly on 30 April and 31 October each year commencing on 30 April 1986.

(3) If any amount of any instalment payable in accordance with Section 3 is not paid on the due date for payment interest shall accrue in respect thereof after that date from day to day until the amount is paid and shall be due and payable without further notice or demand of any kind.

(4) If any amount of interest payable in accordance with the provisions of paragraph (2) of this Section is not paid on the due date for payment thereof the Government of Poland shall be liable for and 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 thereof in accordance with the provisions of paragraph (2) of this Section to the date of receipt of the payment by the Department and shall be due and payable without further notice or demand of any kind.

(5) (a) Except for the period from Maturity until 30 April 1986, all interest payable in accordance with the provisions of this Section shall be paid at the rate of 0·5 per cent ("the margin") above the London Interbank Offered Rate for the period in question. The method of calculation is set out in Section 8.

(b) For the period from Maturity until 30 April 1986 all interest shall be paid at the rate of 12·375 per cent per annum for Debt denominated in sterling and 8·835 per cent per annum for Debt denominated in US dollars.

SECTION 5

Exchange of Information

The Department and the Government of Poland shall exchange all information required for the implementation of this Annex.

SECTION 6

Other Debt Settlements

(1) Subject to the provisions of paragraphs (2) and (3) of this Section the Government of Poland will accord to the Government of the United Kingdom treatment not less favourable than that which it may have accorded to any other creditor country for the settlement of indebtedness of a comparable nature to that the subject of this Annex and this Annex shall be construed accordingly notwithstanding any provision to the contrary set out herein.

(2) The provisions of paragraph (1) of this Section shall not apply in a case where the aggregate of the indebtedness to the other creditor country is less than the equivalent of SDR1,000,000.

(3) The provisions of paragraph (1) of this Section shall not apply to matters relating to the payment of interest determined by Section 4.

SECTION 7

Preservation of Rights and Obligations

Save to the extent that Creditors shall have authorised the Department to agree to the contents of this Annex and to the transfer scheme set out in Section 3, this Annex and its implementation shall not affect the rights and obligations of any Creditor or Debtor under a Contract. The Department undertakes that it will not nominate or specify a Debt for inclusion within the Debt List referred to in Section 8 and that it will not accept the inclusion of a Debt within such List unless it has received the aforesaid authorisation from the respective Creditor.

SECTION 8

Rules

(1) Debt List

- (a) The Department and the Bank shall agree a list of Debts to which, by virtue of the provisions of Section 2, this Annex applies.
- (b) Such a list shall be completed as soon as possible. This list may be reviewed from time to time at the request of the Department or of the Bank. The agreement of both the Department and of the Bank shall be necessary before the list may be amended or added to.
- (c) Neither inability to complete the list referred to in paragraphs (1) (a) and (1) (b) of this Section nor delay in its completion shall prevent or delay the implementation of the other provisions of this Annex.

(2) Calculation of Interest

Interest shall be calculated on the outstanding amount of the Debt. The rate of interest applicable to each interest period commencing 1 May 1986 shall be that rate per annum being the aggregate of

- (a) the margin (0.5 per cent as stated in paragraph (5) (a) of Section 4); and
- (b) (i) in the case of sterling denominated debts the arithmetic mean (rounded 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 four reference banks (being banks to be agreed upon by the Department and the Bank) at which six months' sterling deposits were or are 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 the relevant interest period, or
(ii) in the case of US dollar denominated debts the arithmetic mean (rounded 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 four reference banks (being banks to be agreed upon by the Department and the Bank) at which six months' eurodollar deposits were or are 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 the relevant interest period.

(3) Payments to the Department

- (a) As and when payments become due under the terms of Sections 3 and 4, the Bank shall arrange for the necessary amounts to be paid and transferred in the Currency of the Debt to the Department, in the United Kingdom, 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.
- (b) The Bank shall also give the Department full particulars of the Debts and/or interest to which the transfers relate.

II

*The Director of the Foreign Department of the Ministry of Finance
of Poland to Her Majesty's Ambassador at Warsaw*

MINISTRY OF FINANCE
WARSAW

7 August 1986

Sir,

I have the honour to acknowledge receipt of your Letter of today's date which reads as follows:

[See letter I]

I have the honour to confirm that the terms and conditions set out in the Annex to your Letter are acceptable to the Government of the Polish People's Republic and that your Letter, together with its Annex and this reply shall constitute an Agreement between our two Governments in this matter which shall be known as "The United Kingdom/Poland Debt Agreement No. 3 (1985)" and shall enter into force today and remain in force until the last of the payments to be made to the Department under this Agreement has been made.

I have the honour to convey to you, Sir, the assurance of my high consideration.

Z. KARCZ

[Annex as under letter I]
