



Treaty Series No. 51 (1947)

FINANCIAL AGREEMENT

BETWEEN THE GOVERNMENT OF THE
UNITED KINGDOM AND THE
GOVERNMENT OF EGYPT

[WITH ANNEX]

LONDON, 30TH JUNE, 1947

*Presented by the Secretary of State for Foreign Affairs
to Parliament by Command of His Majesty*

LONDON
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Cmd. 7163

FINANCIAL AGREEMENT BETWEEN THE GOVERNMENT OF THE
UNITED KINGDOM AND THE GOVERNMENT OF EGYPT [WITH
ANNEX]

London, 30th June, 1947

THE Government of the United Kingdom of Great Britain and Northern Ireland (hereinafter referred to as "the Government of the United Kingdom") and the Royal Egyptian Government;

Being desirous of making a temporary arrangement for dealing with the sterling balances of Egypt;

Have agreed as follows:—

ARTICLE I

1. There shall be ascertained and agreed the totals of the sterling assets held at the close of business on 12th July, 1947, by each Egyptian bank and by each office in Egypt of any other bank (hereinafter collectively referred to as "banks in Egypt"). For the purposes of this article "sterling assets" include—

- (a) Current and Deposit Accounts with banks in the United Kingdom (after deduction of debit balances),
- (b) Money at call or notice in the United Kingdom, and wherever held,
- (c) Advances in sterling,
- (d) United Kingdom Treasury Bills,
- (e) Commercial and other bills in sterling,
- (f) Sterling securities of all kinds,
- (g) Sterling assets held as cover for the note issue of the National Bank of Egypt,

but do not include—

- (h) Securities or other assets held in safe custody for customers other than banks in Egypt,
- (i) Sterling assets held by the London office of the National Bank of Egypt for the account of that Office in respect of its own liabilities.

2. From the total of the assets so established of each bank in Egypt an amount, equal to the total of the sterling assets held, at the close of business on 30th June, 1947, by banks in the United Kingdom as cover for confirmed credits opened by them at the request of that bank in Egypt, shall be deducted and transferred to new accounts (hereinafter referred to as "No. 1 Accounts") in the name of that bank in Egypt with those banks in the United Kingdom.

3. The choice of the particular sterling assets to be transferred to No. 1 Accounts in accordance with clause 2 of this article shall rest with the bank in Egypt owning the assets.

4. After deduction of the amount specified in clause 2 of this article, the remainder of the sterling assets of each bank in Egypt shall be transferred to new Accounts (hereinafter referred to as "No. 2 Accounts") to be opened by the bank in Egypt with one or more banks in the United Kingdom. This transfer shall be effected forthwith in the case of current and deposit accounts with banks in the United Kingdom. In the case of other sterling

assets, the transfer shall be made at such time and in such manner as is agreed by the two Governments to be best suited to the assets concerned.

5. The No. 2 Accounts shall be operated upon in accordance with the provisions of paragraphs 5, 6 and 8 of the Annex to this Agreement and any sums standing to the credit of the said Accounts shall be available only for the purposes prescribed in those paragraphs.

ARTICLE II

1. Any sterling received on or after 14th July, 1947, by banks in Egypt in respect of current transactions, together with any sums released from No. 2 Accounts, shall be credited to No. 1 Accounts.

2. The No. 1 Accounts of such banks in Egypt as may, from time to time, be specifically agreed between the Government of the United Kingdom and the Royal Egyptian Government shall be designated "Egyptian Transferable Accounts."

3. The Government of the United Kingdom shall not restrict the availability of sterling standing to the credit of Egyptian Transferable Accounts for the purpose of any payment to residents of the sterling area or for payments for current transactions in any currency area, or for transfer to another Egyptian Transferable Account or to an Egyptian Account.

4. The No. 1 Accounts of all banks in Egypt (other than those accounts designated Egyptian Transferable Accounts under clause 2 of this article) together with the accounts with banks in the United Kingdom of residents of Egypt other than banks in Egypt existing at the date of coming into force of this Agreement shall be designated "Egyptian Accounts."

5. The Government of the United Kingdom shall not restrict the availability of sterling standing to the credit of any Egyptian Account for making payments to residents of the sterling area or for transfer to an Egyptian Transferable Account or to another Egyptian Account.

ARTICLE III

If balances on accounts with banks in the United Kingdom on 14th July, 1947, held by residents of Egypt other than banks in Egypt are at any time requisitioned by the Royal Egyptian Government, these balances shall, to the extent that they are paid over to the Royal Egyptian Government (either directly or through the National Bank of Egypt or other agencies), be credited to the No. 2 Account of the National Bank of Egypt.

ARTICLE IV

1. There shall be released forthwith from the No. 2 Account of the National Bank of Egypt to the No. 1 Account of that bank:—

- (a) £8 million, which together with the amounts by which the sterling assets of residents of Egypt have been reduced during the year 1947 prior to the entry into force of this Agreement, shall form the total release for the calendar year 1947.
- (b) The equivalent of any portion of the scarce currencies provided in the Hard Currency Agreement of January 1945⁽¹⁾ as finally extended in February 1947⁽²⁾ between the Government of the United Kingdom and the Royal Egyptian Government which is not spent before 15th July, 1947.

(1) "Egypt No. 1 (1945)," Cmd. 6582.

(2) "Egypt No. 1 (1947)," Cmd. 7100.

2. There shall also be released from the No. 2 Account of the National Bank of Egypt to the No. 1 Account of that bank during the period 14th July to 31st December, 1947:—

- (a) the equivalent of any sums paid after 14th July by the Royal Egyptian Government to the Government of the United Kingdom from an Egyptian Account or an Egyptian Transferable Account—
 - (i) in respect of military supplies purchased before 14th July, 1947, and not paid for before that date, and
 - (ii) in respect of surplus stores, equipment or fixed assets now in Egypt disposed of by the Government of the United Kingdom to the Royal Egyptian Government either before or after 14th July, 1947;
- (b) the equivalent in sterling of any sums realised by the Government of the United Kingdom in Egyptian currency after 14th July, 1947, from the sale of surplus military stores or equipment now in Egypt, other than to the Royal Egyptian Government;
- (c) the equivalent of such amounts as may be paid from Egyptian Accounts or Egyptian Transferable Accounts to the Government of the United Kingdom by the Royal Egyptian Government for the section of the Palestine Railway situated in Egyptian territory, should an Agreement be made to transfer that section to the Royal Egyptian Government.

The releases under (a) and (c) of this clause shall be made at the time the payment is made by the Royal Egyptian Government. The releases under (b) shall be made as soon as practicable after the end of each month.

3. Further sums shall be released from the No. 2 Account of the National Bank of Egypt to the No. 1 Account of that bank during the period 14th July to 31st December, 1947, in accordance with paragraphs 6 and 8 (b) of the annex to this Agreement.

ARTICLE V

1. In addition to the release provided in Article IV of this Agreement there shall be made available to the Royal Egyptian Government a sum of £12 million as a working balance on which the Royal Egyptian Government may draw from time to time to meet any temporary shortage in Egypt's available means of payment abroad.

2. In order to provide this working balance, a sum of £12 million shall be transferred from the No. 2 Account of the National Bank of Egypt to the No. 1 Account of that bank.

3. The level at which the working balance, provided for in this article, has been maintained during the currency of this Agreement shall be taken into account in the consultations referred to in Article XI below in the light of such data as may be provided by the Royal Egyptian Government.

ARTICLE VI

The Royal Egyptian Government shall not restrict—

- (a) the acceptance by residents of Egypt, in settlement of payments for current transactions, of sterling at the disposal of residents outside Egypt, which may be paid to an Egyptian Account or to an Egyptian Transferable Account.

- (b) the availability of any Egyptian pounds arising from permitted current transactions and accruing to residents of the sterling area for any payments inside Egypt or for the purchase of sterling.

ARTICLE VII

Such capital movements from Egypt to the sterling area and *vice versa* as may be agreed between the two Governments and permitted under the Exchange Control Regulations of the country concerned shall be subject to the provisions of paragraphs 7 and 8 of the annex to this Agreement.

ARTICLE VIII

The two Governments shall as often as may be necessary consult together with a view to ensuring the smooth working of the present Agreement.

ARTICLE IX

The annex to this Agreement shall be an integral part thereof.

ARTICLE X

For the purpose of the present Agreement—

- (a) The expression "sterling area" shall have the meaning from time to time assigned to it by the Exchange Control Regulations in force in the United Kingdom but shall exclude Egypt. After the coming into force in the United Kingdom of the Exchange Control Act, 1947, the expression "sterling area" wherever it occurs in the present Agreement shall be deemed to have been replaced by the expression "scheduled territories" which shall have the meaning from time to time assigned to it under the aforesaid Exchange Control Act, 1947.
- (b) 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.
- (c) The expressions "residents of Egypt" and "residents of the sterling area" shall have the meanings from time to time assigned to them by the Exchange Control Regulations in force in the United Kingdom and in Egypt as the case may require.

ARTICLE XI

1. The present Agreement shall come into force on 14th July, 1947.
2. It shall terminate on 31st December, 1947.
3. The two Governments will consult together before the termination of this Agreement with a view either to extending this Agreement or replacing it by another Agreement.

In witness whereof the undersigned Plenipotentiaries, being duly authorised thereto by their respective Governments, have signed the present Agreement and have affixed thereto their seals:

Done at London this thirtieth day of June, 1947, in duplicate.

For the Government of the United Kingdom:

(L.S.) HUGH DALTON.

For the Royal Egyptian Government:

(L.S.) A. FATTAH M. AMR.

ANNEX

1.—(a) Trade and financial payments between residents of Egypt and residents of the sterling area shall be settled in sterling or Egyptian pounds according to established custom.

(b) All other payments expressed in currencies other than sterling which have necessarily to be settled in sterling shall be converted into and settled in sterling, on the basis of the official rates in London.

2. The Royal Egyptian Government shall take the necessary measures to secure quotations for buying and selling rates for sterling and United States dollars which shall be related to one another at the Bank of England's middle rate for the United States dollar.

3. All sterling payments to residents of Egypt, which residents of the sterling area or outside the sterling area are permitted to make to Egypt under the exchange control regulations in force in the United Kingdom, shall be made to Egyptian Accounts or to Egyptian Transferable Accounts.

4. The Royal Egyptian Government shall take the necessary steps to ensure that sterling shall be made available to residents of Egypt against payment in Egyptian pounds for the purposes of making any payments which such residents are permitted to make to residents of the sterling area under the exchange control regulations in force in Egypt from time to time.

No. 2 Accounts

5.—(a) The No. 2 Accounts referred to in Article I of the Agreement shall be credited with—

- (i) The sterling assets referred to in Article I.
- (ii) Transfers from other No. 2 Accounts.
- (iii) Any sums paid to the Royal Egyptian Government by the Government of the United Kingdom on or after 14th July, 1947, for services rendered to the United Kingdom Forces before 14th July, 1947.
- (iv) The proceeds at maturity or on realisation of any investments purchased in accordance with established custom with funds standing to the credit of a No. 2 Account.
- (v) Transfers from No. 1 Accounts in accordance with paragraph 8 (a) of this annex.
- (vi) Such other transfers as may be agreed between the two Governments.

(b) No. 2-Accounts shall be debited with:—

- (i) Releases in accordance with Article IV of the Agreement.
- (ii) Transfers to other No. 2 Accounts.
- (iii) Transfers to No. 1 Accounts in accordance with paragraph 8 (b) of this annex.
- (iv) Payments in respect of investments made in accordance with established custom.
- (v) Such other transfers as may be agreed between the two Governments.

Special Releases

6. The following releases may also be made from No. 2 to No. 1 Accounts as provided in Article IV, clause 3, of the Agreement:—

- (a) The equivalent of any sums paid by banks in Egypt in currencies other than Egyptian pounds to persons resident outside Egypt in respect of past due coupons or redeemed bonds of the Egyptian Public Debt which have not been paid by reason of war measures or interruption of communications due to the war.

- (b) The equivalent of any sums paid by banks in Egypt in currencies other than Egyptian pounds to persons resident outside Egypt in respect of past due coupons or redeemed bonds of Egyptian undertakings which have not been paid before 14th July, 1947, by reason of war measures or interruption of communications due to the war. Before making any claims for such releases the Royal Egyptian Government will submit a statement of the securities in respect of which claims may be made.

Capital Movements

7. Such transfers of capital from the sterling area to Egypt or *vice versa* as may be permitted by agreement between the two Governments shall, unless otherwise agreed between them, be subject to the provisions of paragraph 8 of this annex. To this end the two Governments shall arrange at intervals of not more than three months to determine statistically the net capital movement from the sterling area to Egypt or *vice versa*.

8.—(a) If the net movement so determined shows an inflow into Egypt from the sterling area, the National Bank of Egypt shall, at the request of the Bank of England, transfer an equivalent amount from its No. 1 Account to its No. 2 Account at the Bank of England.

(b) If the net movement so determined shows an inflow of capital into the sterling area from Egypt, the Bank of England shall, at the request of the National Bank of Egypt, transfer an equivalent amount from the No. 2 Account of the National Bank of Egypt at the Bank of England to its No. 1 Account.

Sterling Area Accounts in Egypt

9.—(a) Existing Accounts in Egypt of residents of the sterling area shall be redesignated "sterling area accounts." New accounts of the same type will be allowed by the Egyptian Exchange Control on the merits of individual cases.

(b) These accounts may be credited with—

- (i) the proceeds in Egyptian pounds of transfers from Egyptian Accounts or Egyptian Transferable Accounts;
- (ii) payments by residents of Egypt approved by the Egyptian Exchange Control.

(c) These accounts may be debited with—

- (i) payments to residents of Egypt (including payments for exports from Egypt);
- (ii) payments to residents of the sterling area.

Other Provisions

10. The Royal Egyptian Government shall not restrict the payment or receipt of sterling by residents of the Sudan. The two Governments shall arrange to determine, at intervals to be agreed, the net receipt or net disbursement by Egypt on account of residents of the Sudan; and shall effect a compensating adjustment from the No. 1 to the No. 2 Account of the National Bank of Egypt at the Bank of England in the event of a net receipt and from the No. 2 Account to the No. 1 Account in the event of a net disbursement.

11. The two Governments agree to keep each other informed on matters affecting their respective Exchange Controls.

12. In so far as authority shall be delegated by the Government of the United Kingdom to the Bank of England, on the one hand, and by the Royal Egyptian Government to the National Bank of Egypt, on the other hand, the Bank of England and the National Bank of Egypt shall act as the agents of their respective Governments for the execution of this Agreement.

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