



Treaty Series No. 9 (1946)

MONETARY AGREEMENT

BETWEEN

THE GOVERNMENT OF THE UNITED KINGDOM OF
GREAT BRITAIN AND NORTHERN IRELAND
AND THE PORTUGUESE GOVERNMENT

LONDON, 16TH APRIL, 1946

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

LONDON
HIS MAJESTY'S STATIONERY OFFICE

ONE PENNY NET

MONETARY AGREEMENT BETWEEN THE GOVERNMENT OF THE
UNITED KINGDOM OF GREAT BRITAIN AND NORTHERN
IRELAND AND THE PORTUGUESE GOVERNMENT.

London, 16th April, 1946.

The Government of the United Kingdom of Great Britain and Northern Ireland, of the one part, and the Portuguese Government, of the other part, have agreed as follows:—

ARTICLE 1.

(i) The rate of exchange between the escudo and the £ sterling shall be 100 escudos = £1.

(ii) This rate (hereinafter referred to as “the official rate”) shall not be varied by either of the Contracting Governments except after giving to the other as much notice as may be practicable.

(iii) In all territories where they have jurisdiction the Contracting Governments shall enforce the use of the official rate as the basis of all transactions involving a relationship between the two currencies.

(iv) The Bank of England and the Bank of Portugal, as agents of their respective Governments, shall fix by mutual agreement the maximum spread above or below the official rate which will be authorised on the markets which they control.

ARTICLE 2.

(i) The Bank of England (acting as agents of the Government of the United Kingdom) shall sell sterling to the Bank of Portugal (acting as agents of the Portuguese Government) as may be required for payments which residents of the Portuguese monetary area are permitted, under the exchange regulations in force in that area, to make to residents of the sterling area—

(a) against escudos to be credited at the official rate to the Bank of England's No. 1 Account with the Bank of Portugal, provided that the balance standing to the credit of that Account is not thereby increased above a maximum of 500 million escudos, or

(b) if the balance standing to the credit of the Bank of England's No. 1 Account with the Bank of Portugal amounts to 500 million escudos, against gold to be set aside in the Bank of England's name at the Bank of Portugal, Lisbon.

(ii) The Bank of Portugal (acting as agents of the Portuguese Government) shall sell escudos to the Bank of England (acting as agents of the Government of the United Kingdom) as may be required for payments which residents of the sterling area are permitted, under the exchange regulations in force in that area, to make to residents of the Portuguese monetary area—

(a) against sterling to be credited at the official rate to the Bank of Portugal's No. 1 Account with the Bank of England provided that the balance standing to the credit of that Account is not thereby increased above a maximum of £5 million, or

(b) if the balance standing to the credit of the Bank of Portugal's No. 1 Account with the Bank of England amounts to £5 million, against gold to be set aside in the name of the Bank of Portugal at the Bank of England, London.

(iii) The Bank of Portugal shall at all times maintain on their No. 1 Account with the Bank of England a minimum balance, the amount of which will be determined in agreement with the Bank of England.

(iv) The Bank of England shall at all times maintain on their No. 1 Account with the Bank of Portugal a minimum balance, the amount of which will be determined in agreement with the Bank of Portugal.

ARTICLE 3.

(i) The Bank of England shall have the right at any time to sell to the Bank of Portugal, against all or part of the sterling balances held by that Bank, either escudos at the official rate or gold to be set aside at the Bank of England in London.

(ii) The Bank of Portugal shall have the right at any time to sell to the Bank of England, against all or part of the escudo balances held by that Bank, either sterling at the official rate or gold to be set aside at the Bank of Portugal in Lisbon.

ARTICLE 4.

(i) Gold set aside in Lisbon in accordance with the provisions of Articles 2 (i) (b) and 3 (ii) of this Agreement shall be at the Bank of England's free disposal and may be exported.

(ii) Gold set aside in London in accordance with the provisions of Articles 2 (ii) (b) and 3 (i) of this Agreement shall be at the Bank of Portugal's free disposal and may be exported.

ARTICLE 5.

(i) The Government of the United Kingdom shall not restrict the availability of sterling at the disposal of residents of the Portuguese monetary area for making—

- (a) transfers to other residents of the Portuguese monetary area;
- (b) payments to residents of the sterling area; or
- (c) transfers to residents of countries outside the Portuguese monetary area and the sterling area to the extent to which these may be authorised by the Government of the United Kingdom under the arrangements contemplated in Article 9 (iii) hereof.

(ii) The Portuguese Government shall not restrict the availability of escudos at the disposal of residents of the sterling area for making—

- (a) transfers to other residents of the sterling area;
- (b) payments to residents of the Portuguese monetary area; or
- (c) transfers to residents of countries outside the sterling area and the Portuguese monetary area to the extent to which these may be authorised by the Portuguese Government under the arrangements contemplated in Article 9 (iii) hereof.

ARTICLE 6.

(i) To the extent to which the Bank of Portugal requires sterling area currencies, other than sterling, for the purpose of providing for payments in the countries where such currencies are legal tender, the Bank of Portugal shall purchase them through the Bank of England against payment in sterling.

(ii) To the extent to which the Bank of England requires currencies of the Portuguese monetary area, other than escudos, for the purpose of providing for payments in the countries where such currencies are legal tender, the Bank of England shall purchase them through the Bank of Portugal against payment in escudos.

ARTICLE 7.

The two Contracting Governments shall co-operate with a view to assisting each other in keeping capital transactions within the scope of their respective policies, and in particular with a view to preventing transfers between their areas which do not serve direct and useful economic or commercial purposes.

ARTICLE 8.

Any sterling held by the Bank of Portugal shall be held and invested only as may be agreed by the Bank of England, and any escudos held by the Bank of England shall be held and invested only as may be agreed by the Bank of Portugal.

ARTICLE 9.

(i) If the two Contracting Governments adhere to a general international monetary agreement or if either Government changes its monetary policy in such a way that the provisions of the present Agreement would be affected, the two Governments shall review the Agreement with a view to making any amendments that may be required. In any event, discussions between representatives of the two Contracting Parties shall be held for the purpose of making such a review not later than twelve months after the date of the coming into force of the present Agreement.

(ii) While the present Agreement remains in force the Contracting Governments shall co-operate to apply it with the necessary flexibility according to circumstances. The Bank of England and the Bank of Portugal, as agents of their respective Governments, will maintain contact on all technical questions arising out of the Agreement and will collaborate closely on exchange control matters affecting the two areas.

(iii) As opportunity offers, the Contracting Governments shall seek with the consent of the other interested parties—

- (a) to make escudos at the disposal of residents of the sterling area and sterling at the disposal of residents of the Portuguese monetary area available for payments of a current nature to residents of countries outside the sterling area and the Portuguese monetary area; and
- (b) to enable residents of countries outside the sterling area and the Portuguese monetary area to use sterling at their disposal to make payments of a current nature to residents of the Portuguese monetary area, and to use escudos at their disposal to make payments of a current nature to residents of the sterling area.

(iv) Notwithstanding that each of the Contracting Governments shall be alone responsible for its monetary relations with third parties, they shall maintain contact wherever the monetary relations of the one affect the interests of the other.

ARTICLE 10.

For the purpose of the present Agreement—

- (i) The expression “the sterling area” shall have the meaning from time to time assigned to it by the exchange control regulations in force in the United Kingdom.
- (ii) The expression “the Portuguese monetary area” shall mean Portugal and the Portuguese Empire.
- (iii) Transactions between the Bank of England and the Bank of Portugal are to be considered as transactions between the sterling area and the Portuguese monetary area.
- (iv) Transactions entered into by the Government of any territory within one of the two areas described above are to be considered as transactions entered into by a resident of that area.

ARTICLE 11.

The present Agreement, which shall be subject to review and adjustment after mutual consultation, shall come into force on this day's date. At any time thereafter either Contracting Government may give notice to the other of its intention to terminate the Agreement and the Agreement shall cease to have effect three months after the date of such notice. It shall terminate two years after the date of its coming into force, unless the Contracting Governments agree otherwise.

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

Done in London, in duplicate, this 16th day of April, 1946.

(L.S.) ERNEST BEVIN

(L.S.) PALMELLA.

LONDON

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