



Treaty Series No. 36 (1988)

Exchange of Notes

between the Government of the
United Kingdom of Great Britain and Northern Ireland
and the Government of the Republic of Chile

concerning Certain Commercial Debts

(the United Kingdom/Chile Debt Agreement No. 4 (1987))

Santiago, 8 and 17 September 1987

[The Agreement entered into force on 17 September 1987]

*Presented to Parliament
by the Secretary of State for Foreign and Commonwealth Affairs
by Command of Her Majesty
June 1988*

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**EXCHANGE OF NOTES
BETWEEN THE GOVERNMENT OF THE
UNITED KINGDOM OF GREAT BRITAIN AND NORTHERN IRELAND
AND THE GOVERNMENT OF THE REPUBLIC OF CHILE
CONCERNING CERTAIN COMMERCIAL DEBTS
(THE UNITED KINGDOM/CHILE DEBT AGREEMENT NO. 4 (1987))**

No. 1

*Her Majesty's Ambassador at Santiago to the Director and External Debt Coordinator of
the Banco Central de Chile*

*British Embassy
Santiago
8 September 1987*

Dear Mr Somerville

I have the honour to refer to the Agreed Minute on the Consolidation of the Debt of the Republic of Chile which was signed at the Conference held in Paris on 2 April 1987 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 Republic of Chile on the terms and conditions set out in the attached Annex.

If these terms and conditions are acceptable to the Government of the Republic of Chile, I have the honour to propose that this Note, 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/Chile Debt Agreement No 4 (1987)" and which shall enter into force on the date of your reply.

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

ALAN WHITE

ANNEX

SECTION 1

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 Republic of Chile which was signed at the Conference held in Paris on 2 April 1987;
 - (b) "the Bank" means the Central Bank of Chile acting on behalf of the Government of Chile;
 - (c) "the Consolidation Period" means the period from 15 April 1987 to 31 December 1988 inclusive;
 - (d) "Contract" means a contract, or any agreement supplemental thereto, all entered into before 1 January 1985, the parties to which include a Debtor and a Creditor and which is either for the sale of goods and/or services from outside Chile to a buyer in Chile, 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;
 - (e) "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;
 - (f) "Currency of the Debt" means the currency specified in the relevant Contract as being the currency in which that Debt is to be paid;
 - (g) "Debt" means any debt to which, by virtue of the provisions of Section 2(1), the provisions of this Annex apply;
 - (h) "Debtor" means the Government of Chile (whether as primary debtor or as guarantor), or any public sector body carrying on business in Chile, or any successor in title thereto;

- (i) "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 purpose hereof;
 - (j) "the Government of Chile" means the Government of the Republic of Chile;
 - (k) "the Government of the United Kingdom" means the Government of the United Kingdom of Great Britain and Northern Ireland;
 - (l) "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;
 - (m) 'Previous Agreement' means the Agreement between the Government of the United Kingdom of Great Britain and Northern Ireland and the Government of the Republic of Chile on Certain Commercial Debts signed on 29 April 1986¹;
 - (n) "Reference Rate" means the rate quoted to the Department by the Reference Bank (being a bank to be agreed upon by the Department and the Bank) at which six-month sterling deposits in the case of Debts denominated in sterling, or six-month eurodollar deposits in the case of Debts denominated in US dollars, are offered to that Reference Bank by prime banks in the London interbank market at 11 am (London time) two business days before 15 February and 15 August in each year;
 - (o) "United Kingdom" means the United Kingdom of Great Britain and Northern Ireland, and for the purposes of Sections 1(1)(e) and 7 of this Annex 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 paragraph 3 of Section IV of the Agreed Minute, apply to any amount, 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;
 - (b) fell due or will fall due for payment during the Consolidation Period and remains unpaid;
 - (c) is guaranteed by the Department as to payment according to the terms of the Contract;
 - (d) is not expressed by the terms of the Contract to be payable in Chilean pesos;
 - (e) does not arise from an amount payable upon, or as a condition of, the formation of the Contract, or as a condition of the cancellation or termination of the Contract; and
 - (f) does not arise from an amount payable under the Previous Agreement.
- (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 neither prevent nor delay the implementation of the other provisions of this Annex.

¹ Treaty Series No. 30 (1987), Cm 180.

SECTION 3

Transfer Scheme

- (1) The Government of Chile shall pay to the Department in accordance with the provisions of Section 5(1) in respect of each Debt the following:
 - (a) 10 per cent of principal on 31 March 1989; and
 - (b) 85 per cent of principal by eight equal and consecutive half-yearly instalments on 15 February and 15 August each year commencing on 15 August 1991.
- (2) The Government of Chile shall, in respect of each Debt, also arrange for payment of 5 per cent of the principal and 100 per cent of the contractual interest to be made to the relevant Creditor, in the Currency of the Debt, on the original due date for payment under the terms of the Contract.

SECTION 4

Interest

- (1) 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 in accordance with Section 3(1).
- (2) The Government of Chile shall be liable for and shall pay to the Department in accordance with the provisions of Section 5(1) and of this Section interest on each Debt to the extent that it has not been settled by payment to the Department in the United Kingdom pursuant to Section 3(1). Such interest shall be paid and transferred to the Department half-yearly on 15 February and 15 August each year commencing on 15 August 1987.
- (3) 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 Chile 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.
- (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 5

Payments to the Department

- (1) As and when payments become due under the terms of Section 3 and 4, the Government of Chile shall arrange for the necessary amounts, without deduction for taxes, fees, other public charges or any other costs accruing inside or outside Chile, 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 Government of Chile. In this respect, the Department shall be regarded as acting as agent for each Creditor concerned.
- (2) The Government of Chile shall give the Department full particulars of the Debts and/or interest to which the transfers relate.
- (3) The Government of Chile undertakes to comply with the conditions of Section III paragraphs 8 and 9 of the Agreed Minute.

SECTION 6

Exchange of Information

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

SECTION 7

Other Debt Settlements

- (1) The Government of Chile undertakes to comply with the conditions of Section III, paragraphs 1, 2, 3 and 7 of the Agreed Minute and agrees to accord to the United Kingdom terms no less favourable than those agreed with any other creditor country, notwithstanding any provision 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 4.

SECTION 8

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 rights and obligations in respect of which the Government of the United Kingdom and the Government of Chile are authorised to act respectively on behalf of, and to bind, such Creditor and Debtor.”

No. 2

*The Director and External Debt Coordinator of the Banco Central de Chile to
Her Majesty's Ambassador at Santiago*

*Banco Central de Chile
Santiago*

17 September 1987

Your Excellency

I have the honour to acknowledge receipt of Your Excellency's Note of 8 September 1987 which reads as follows:

[As in No. 1]

[Annex as in No. 1]

I have the honour to confirm that the terms and conditions set out in the Annex to your Note are acceptable to the Government of the Republic of Chile and that your Note, 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/Chile Debt Agreement No 4 (1987)" and which shall enter into force today.

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

HERNAN SOMERVILLE

**Coordinating Director of Foreign Debt
For and on behalf of the Republic of Chile**



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