



Treaty Series No. 70 (1992)

Exchange of Notes

between the Government of the
United Kingdom of Great Britain and Northern Ireland
and the Vnesheconombank of the USSR
(acting as Debt Manager)

concerning the Deferral of the Debt of the Union of
Soviet Socialist Republics and its Successors to
Foreign Official Creditors

London, 5 June 1992

[The Agreement entered into force on 5 June 1992]

*Presented to Parliament
by the Secretary of State for Foreign and Commonwealth Affairs
by Command of Her Majesty
October 1992*

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**EXCHANGE OF NOTES
BETWEEN THE GOVERNMENT OF THE
UNITED KINGDOM OF GREAT BRITAIN AND NORTHERN IRELAND
AND THE VNESHECONOMBANK OF THE USSR
(ACTING AS DEBT MANAGER)
CONCERNING THE DEFERRAL OF THE DEBT OF THE UNION OF
SOVIET SOCIALIST REPUBLICS AND ITS SUCCESSORS TO FOREIGN
OFFICIAL CREDITORS**

No. 1

*The Secretary of State for Foreign and Commonwealth Affairs to the
Deputy Managing Director of the Vnesheconombank of the USSR*

*Foreign and Commonwealth Office
London*

5 June 1992

Sir,

I refer to the Agreement on the Deferral of the Debt of the Union of Soviet Socialist Republics (USSR) and its Successors, to Foreign Official Creditors which was signed in Paris on 4 January 1992, and inform you that the Government of the United Kingdom of Great Britain and Northern Ireland are prepared to provide debt relief on the terms and conditions set out in the attached Annex.

If these terms and conditions are acceptable to you I propose that this Note together with its Annex, and your reply to that effect, shall constitute an Agreement between the Government of the United Kingdom, on the one side, and the Vnesheconombank of the USSR as the Debt Manager on the other side, and which shall enter into force on the date of your reply.

I avail myself of this opportunity to renew to you, sir, the assurance of my highest consideration.

K. TEBBIT
For the Secretary of State

ANNEX

SECTION 1

Definitions and Interpretation

- (1) In this Annex, unless the contrary intention appears:
- (a) "the Agreement" means the Agreement on the Deferral of the Debt of the Union of Soviet Socialist Republics (USSR) and its Successors to Foreign Official Creditors which was signed in Paris on 4 January 1992¹;
 - (b) "Appropriate Market Rate" means the Reference Rate plus a margin of 0.5 per cent;
 - (c) "Business Day" means a day on which dealings are carried on in the London Interbank Market and (if payment is required to be made on such day) on which banks are open for domestic and foreign exchange business in London in the case of sterling and european currency units, in both London and Frankfurt in the case of deutschemarks, in both London and Zurich in the case of swiss francs, and in both London and New York City in the case of US dollars;
 - (d) "Contract" means a contract, or any agreement supplemental thereto, the parties to which include the Original Debtor and a Creditor and which either was for the sale of goods and/or services from outside the USSR to a buyer in the USSR, or was for the financing of such a sale, and which either:
 - (i) granted or allowed credit for a period exceeding one year
 - or
 - (ii) granted or allowed credit for a period of one year or less;
 - (e) "Creditor" means a person or body of persons or corporation, resident or carrying on business in the United Kingdom, including the Channel Islands and the Isle of Man, or any successor in title thereto;
 - (f) "Currency of the Debt" means any 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) "the Debt Manager" means the Vnesheconombank of the USSR acting on behalf of the signatory States for the time being bound by the Memorandum of Understanding of 28 October 1991 on the Debt to Foreign Creditors of the Union of Soviet Socialist Republics and its Successors hereinafter referred to as "the Debtors";
 - (i) "the Deferral Period" means the period from 5 December 1991 to 31 December 1992 inclusive;
 - (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 purpose hereof;
 - (k) "Maturity" in relation to a Debt specified in Section 2 means the due date for the repayment thereof under the relevant Contract or on a promissory note or bill of exchange drawn up pursuant thereto;
 - (l) "Original Debtor" means the Government of the Union of Soviet Socialist Republics (whether as primary debtor or as guarantor), or other entities legally authorised to enter into Contracts, or any successor in title thereto;
 - (m) "Reference Rate" means the rate (rounded upwards where necessary to the nearest multiple of 1/16th (one sixteenth of one per cent) quoted by the Reuters Monitor Money Rate Services (International Swap Dealers Association Interbank Rates From London) (page reference "ISDA"), for six month eurodollar deposits, in the case of a Debt denominated in US dollars, or six-month sterling deposits, in the case of a Debt denominated in sterling, or six-month european currency unit deposits in the case of a Debt denominated in european currency units, or six-month deutschemark deposits in the case of a Debt denominated in deutschemarks, or six-month swiss franc deposits in the case of a Debt denominated in swiss francs, two Business Days before the

¹ Not published.

commencement of the relevant interest period. In the event that the Reuters Monitor Money Rate Services is unavailable on the required date for any of the currencies referred to in this paragraph, the rate or rates to be applied will be the mean of the rates provided by two banks, to be agreed upon by the Department and the Debt Manager, as the mean of the rates at which those banks are offering six-month deposits for any of the said currencies on the required date.

- (n) "the United Kingdom" means the United Kingdom of Great Britain and Northern Ireland.
- (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 360 days, in the case of Debts denominated in US dollars, or 365 days, in the case of Debts denominated in any other currency.
- (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 Section of this Annex.
- (5) The headings to the Sections are for ease of reference only.

SECTION 2

Deferred Debt

- (1) The provisions of this Annex shall, subject to the provisions of paragraph (2) of this Section and Article V of the Agreement, apply to any amount of principal accruing up to Maturity, owed by the Original Debtor to a Creditor and which:
 - (a) arises under or in a relation to a Contract entered into prior to 1 January 1991;
 - (b) is guaranteed by the Department as to payment according to the terms of the Contract;
 - (c) is not expressed by the terms of the Contract to be payable in Roubles;
 - (d) does not arise from an amount payable upon or as a condition of the cancellation or termination of the Contract; and
 - (e) (i) in respect of Contracts specified in Section 1(l)(d)(i) has fallen due for payment on or before 4 December 1991 and remains unpaid or has fallen due or will fall due for payment during the Deferral Period and remains unpaid; or
(ii) in respect of Contracts specified in Section 1(l)(d)(ii) has fallen due for payment on or before 4 December 1991 and remains unpaid.
- (2) The Department and the Debt Manager shall, as soon as possible, agree and draw up a list of Debts ("the Debt List") to which this Annex shall apply. The Debt List may be reviewed from time to time at the request of the Department or of the Debt Manager, but may not be added to or amended without the agreement in writing of both the Department and the Debt Manager. Delay in the completion of the Debt List shall neither prevent nor delay the implementation of the other provisions of this Annex.

SECTION 3

Payment of Deferred Debt

The Debtors shall pay to the Department through the Debt Manager in accordance with the provisions of Section 6(1), the following:

- (a) in respect of each Debt specified in Section 2(l)(e)(i):
100 per cent on 1 January 1993;
- (b) in respect of each Debt specified in Section 2(l)(e)(ii):
50 per cent on 30 June 1992, and
50 per cent on 30 November 1992.

SECTION 4

Payment of Non-Deferred Debt

In respect of any non-deferred Debt as described at paragraphs 3 and 5 of Article III of the Agreement, the Debtors shall pay to the Creditor through the Debt Manager;

- (a) in respect of any such amount due and not paid as at 4 December 1991;
as soon as possible but in any case not later than 30 June 1992;
- (b) in respect of any such amount falling due from 5 December 1991:
on due date, or where such amount has fallen due for payment and remains unpaid, as soon as possible but in any case not later than 30 June 1992.

SECTION 5

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.

(2) The Debtors shall be liable for and shall pay to the Department through the Debt Manager in accordance with the provisions of Section 6(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. Such interest shall be paid to the Department half-yearly on 30 June and 31 December (the "Due Dates") each year commencing 30 June 1992.

(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 Debtors shall be liable for and shall pay to the Department through the Debt Manager 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 without further notice or demand.

(4) All interest payable in accordance with the provisions of this Section shall be paid at the Appropriate Market Rate applicable to each half-yearly interest period commencing with the half-yearly interest period within which the Maturity of the Debt concerned occurs.

SECTION 6

Payments to the Department

(1) When payment becomes due under the terms of Section 3 or 5, the Debtors through the Debt Manager shall arrange for the necessary amounts, without deduction of taxes, fees, other public charges or any other costs accruing inside the territories of the Debtors, to be paid in the Currency of the Debt to an account notified by the Department to the Debt Manager.

(2) If the day on which such a payment falls due is not a Business Day payment shall be made on the next succeeding Business Day.

(3) The Debt Manager shall give the Department full particulars of the Debts and/or interest to which the payments relate.

SECTION 7

Exchange of Information

The Department and the Debt Manager shall exchange all information required for the implementation of this Annex.

SECTION 8

Other Debt Settlements

- (1) The Debtors through the Debt Manager undertake to perform their obligations under Article IV of the Agreement and agree 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 5.

SECTION 9

Preservation of Rights and Obligations

This Annex and its implementation shall not affect the rights or obligations of any *Creditor or Original Debtor under a Contract other than those rights and obligations in respect of which the Government of the United Kingdom and the Debt Manager are authorised to act respectively on behalf of and to bind such Creditor and the Debtors.*

SECTION 10

Conditionality

If the Deferral Period no longer applies from 1 July 1992 to 31 December 1992 in accordance with paragraph 5 of Article V of the Agreement or the Agreement is terminated in accordance with paragraph 6 of Article V of the Agreement, this Annex shall similarly no longer apply, in which case any amounts already deferred at date of termination shall become immediately due and any amounts due after the date of termination shall be payable on their original due dates. Any interest accrued in accordance with Section 5 shall remain payable.

No. 2

*Deputy Managing Director of the Vnesheconombank of the USSR to the
Secretary of State for Foreign and Commonwealth Affairs*

*London
5 June 1992*

Sir,

I acknowledge receipt of your Note of 5 June 1992, which reads as follows:

[As in No. 1]

I confirm that the terms and conditions set out in the Annex to your Note are acceptable to Vnesheconombank of the USSR as the Debt Manager acting on behalf of the Debtors and that your Note together with its Annex, and this reply, shall constitute an Agreement between the Government of the United Kingdom, on the one side, and the Vnesheconombank of the USSR as the Debt Manager on the other side, and which shall enter into force today.

I avail myself of this opportunity to renew to you, sir, the assurance of my highest consideration.

A. ATCHKASSOV

