

N° 4759.

GRANDE-BRETAGNE
ET IRLANDE DU NORD
ET ESPAGNE

Accord relatif aux échanges commerciaux et
aux paiements, signé à Madrid, le 18 mars
1940, et échange de notes y relatif de la
même date.

*Textes officiels anglais et espagnol communiqués par le secrétaire d'Etat aux
affaires étrangères de Sa Majesté en Grande-Bretagne. L'enregistrement a
eu lieu le 16 janvier 1941.*

GREAT BRITAIN
AND NORTHERN IRELAND
AND SPAIN

Agreement regarding Trade and Payments,
signed at Madrid, March 18th, 1940, and
Exchange of Notes relating thereto of the
Same Date.

*English and Spanish official texts communicated by His Majesty's Secretary
of State for Foreign Affairs in Great Britain. The registration took place
January 16th, 1941.*

No. 4759. — AGREEMENT BETWEEN THE GOVERNMENT OF THE UNITED KINGDOM AND THE GOVERNMENT OF THE SPANISH STATE REGARDING TRADE AND PAYMENTS. SIGNED AT MADRID, MARCH 18TH, 1940.

Whereas THE GOVERNMENT OF THE UNITED KINGDOM OF GREAT BRITAIN AND NORTHERN IRELAND and THE GOVERNMENT OF THE SPANISH STATE desire to facilitate trade and payments between Spain and the United Kingdom ;

Now, therefore, the Government of the United Kingdom of Great Britain and Northern Ireland and the Government of the Spanish State have agreed as follows :

Article 1.

The Agreements regarding payments signed between the Government of the United Kingdom and the Spanish Government at Madrid on the 6th January, 1936¹ (hereinafter referred to as " the 1936 Agreement "), and on the 6th June, 1936² (hereinafter collectively referred to as " the 1936 Agreements ") are hereby abrogated and replaced by the subsequent provisions of the present Agreement, save that any payment properly made or received under those Agreements, which in the case of the Banco Exterior de España shall mean payments made or received before the 19th December, 1936, shall be regarded as a valid payment or receipt, and that monies held at the coming into force of this Agreement for the purposes specified in the 1936 Agreements shall be applied in the manner provided for in the subsequent Articles of the present Agreement.

Article 2.

(1) All debts due and owing at the date of the coming into force of this Agreement, and all debts falling due after that date from persons in the United Kingdom to persons ordinarily resident or ordinarily carrying on business outside the United Kingdom in respect of the price of Spanish goods imported into the United Kingdom, and of freights for the carriage of goods in Spanish ships, or in respect of any bill of exchange given by way of payment of a debt in respect of any such price or freight as aforesaid, other than any such debts which fell due in respect of the price of Spanish goods imported into the United Kingdom before the 19th December, 1936, shall be paid in sterling to a non-interest-bearing account to be opened at the Bank of England in the name of the Controller of the Clearing Office, to be called the " Sterling Current Account " .

(2) (a) Any debts due and owing at the date of the coming into force of this Agreement or falling due after that date from persons in the United Kingdom to persons in Spain, other than any debts which are required to be paid to the Sterling Current Account in accordance with the provisions of paragraph (1) of this Article or other than any debts which fell due in respect of the price of Spanish goods imported into the United Kingdom before the 19th December, 1936, may, subject to agreement between the Clearing Office and the Instituto, be paid in sterling to the Sterling Current Account.

¹ Vol. CLXVI, page 283, of this Series.

² Vol. CLXVI, page 291, of this Series.

³ See page 149 of this Volume.

(b) All sums advanced to the Spanish Government by the United Kingdom Government in accordance with the provisions of Article 1 of an Agreement³ signed this day between the two Contracting Governments (hereinafter referred to as "the Loan Agreement") shall be paid into the Sterling Current Account.

(3) Where the debt is expressed to be payable in pesetas, the relative payment shall be made in sterling at the official buying rate of exchange for sterling published by the Instituto (hereinafter referred to as "the official buying rate") for the day preceding the day of payment, and thereafter the debt shall be deemed to have been expressed to be payable in sterling. The Instituto shall communicate each day to the Clearing Office the official buying rate for that day, and the Clearing Office shall arrange for it to be published in the United Kingdom on the following working-day. When a debt is expressed to be payable in any currency other than sterling or the peseta, payment shall be made in sterling at the London selling rate for sight drafts in such other currency ruling at the date of payment, and thereafter the debt shall be deemed to have been expressed to be payable in sterling.

(4) Notwithstanding anything in paragraph (3) of this Article, where any payments in respect of debts expressed to be payable in pesetas are made to the Sterling Current Account in accordance with the provisions of paragraph 2 (a) of this Article, and the rate of exchange applicable to those payments is "el cambio de importación voluntaria y definitiva" published by the Instituto (hereinafter referred to as "the voluntary rate"), the amount which the debtor shall pay shall be an amount calculated in accordance with the provisions of the preceding paragraphs, but on the basis of the rate so applicable. For this purpose the Instituto shall communicate each day to the Clearing Office the voluntary rate for that day and the Clearing Office shall arrange for it to be published in the United Kingdom on the following working-day.

(5) Payment under the provisions of this Article shall constitute a discharge to the debtor for the corresponding amount of the debt.

(6) On receipt of the schedules referred to in Article 9 (1) of this Agreement, the Instituto shall give instructions for payment to the persons entitled thereto, in the chronological order of the payments made by debtors in the United Kingdom, of the equivalent in pesetas of the amounts indicated in the schedules, at the official buying rate, the voluntary rate or such other rate as the Instituto has guaranteed, whichever is applicable in accordance with the laws in force in Spain, for the date on which such instructions are given.

Article 3.

(1) All sums paid into the Sterling Current Account in accordance with the provisions of paragraph (1) of Article 2 of this Agreement, and all sums so paid in accordance with the provisions of paragraph (2) (a) of the said Article, shall be allocated in the books of the Clearing Office to non-interest-bearing Sub-Accounts in the name of the Instituto, subject to the provisions of the succeeding paragraphs of this Article in the order of priority indicated :

(a) In each calendar month after the date of the coming into force of this Agreement, there shall be credited to the Sterling Loan Sub-Account a sum calculated as follows :

(i) In each calendar month other than June or December of any year the amount so credited shall be one-sixth of the amount estimated to be required in accordance with the provisions of Article 3 of the Loan Agreement on the 30th day of June or the 31st day of December next following, for the payment of interest on, and the repayment of capital of, any sums advanced to the Spanish Government by the Government of the United Kingdom under the terms of the Loan Agreement ; provided that if it appears to the Clearing Office, in any such month other than January or July, that the amount so required is greater or less than the amount on which the allocations for the previous months of that half-year had been based, they shall adjust the amounts to be allocated for that and the following months of that half-year, so as to distribute the difference so ascertained equally between them ;

(ii) In the months of June and December of any year, the amount so credited shall be the balance of the amount required as aforesaid after taking into account the sums already standing to the credit of the Sterling Loan Sub-Account ;

and the sums standing to the credit of the Sterling Loan Sub-Account shall be used for the payment of interest on, and for the repayment of the capital of sums advanced to the Spanish Government by the Government of the United Kingdom in accordance with the provisions of the Loan Agreement ;

(b) In the month of January, 1942, and in each subsequent calendar month until the transfer of the sums standing to the credit of the Peseta Arrears Account referred to in Article 11 of this Agreement shall have been wholly effected, the sum of £50,000 shall be credited to the Sterling Arrears Account referred to in Article 10 of this Agreement ;

(c) The balance of the sums available in the Sterling Current Account in each calendar month shall be allocated as follows :

(i) During the period commencing with the date of the coming into force of this Agreement and ending on the 31st December, 1940, to Sub-Account C, £400,000, of which £25,000 shall be allocated in each calendar month, and £150,000 in such month or months as may be agreed between the two Contracting Governments, to be utilised in accordance with the provisions of Article 6 of this Agreement, provided that the total amount allocated to Sub-Account C during the period in question shall not exceed 10 per cent. of the aforesaid balance of the sums paid into the Sterling Current Account in accordance with the provisions of paragraphs (1) and (2) (a) of Article 2 of this Agreement. The remainder, after any monthly allocation has been made to Sub-Account C as aforesaid, shall be allocated in the proportion of 50 per cent. to Sub-Account A to be utilised in accordance with the provisions of Article 4 of this Agreement, and 50 per cent. to Sub-Account B to be utilised in accordance with the provisions of Article 5 of this Agreement ;

(ii) As from the 1st January, 1941, in each month, to Sub-Account A, 45 per cent. ; to Sub-Account B, 45 per cent. ; and to Sub-Account C, 10 per cent.

(2) If in any calendar month the sums available in the Sterling Current Account are not sufficient to provide for the allocations referred to in sub-paragraphs (a) and (b) of the preceding paragraph, the amount of the deficiency shall be carried forward and added to the amounts respectively to be allocated under the provisions of the aforesaid sub-paragraphs in the following month or months.

(3) All sums paid into the Sterling Current Account in accordance with the provisions of sub-paragraph (b) of paragraph (2) of Article 2 of this Agreement shall be allocated to the Sub-Accounts A or B, in such proportions and at such times as the Spanish Government may determine.

(4) (a) In cases where persons in the United Kingdom are carrying on business in Spain through a branch or subsidiary company and that branch or subsidiary company exports Spanish goods to the United Kingdom, such sums as may be agreed between the Clearing Office and the Instituto for the purpose of meeting the sterling requirements of that person in the United Kingdom in any calendar year may, at the request of the person in question, be paid to that person or any other person in the United Kingdom whom he may nominate, payments to the aforesaid persons or their nominees shall only be made with the prior approval of the Instituto and on instructions given by the Instituto to the Clearing Office.

(b) In cases where the sums agreed to be paid in accordance with the provisions of the preceding sub-paragraph do not exceed the sterling amount paid to the Sterling Current Account in respect of the said exports for the calendar year in question then, notwithstanding the provisions of paragraph (1) of this Article, payment of such sums shall be made from the Sterling Current Account.

(c) In cases where the sums agreed to be paid exceed the said sterling amounts paid into the Sterling Current Account for the calendar year in question, payment of such sums shall be made within the limit of the sterling sums paid to the Sterling Current Account in accordance with the provisions of sub-paragraph (b) of this paragraph, and the excess shall be transferred through Sub-Account C in accordance with the provisions of Article 6 of this Agreement.

(5) If at any time the balance standing to the credit of Sub-Account A is insufficient to secure the transfer of peseta sums paid to the Instituto in respect of the debts defined in Article 4 of this Agreement, within four weeks from the date on which the payment of such peseta sums is notified to the Clearing Office, the two Institutions may agree that the sums which would, but for the provisions of this paragraph, have been credited to Sub-Account B shall instead be credited to Sub-Account A until such time as the transfer of the said sums through Sub-Account A is being effected without material delay. As soon as the situation permits, the two Institutions may agree that an amount equal to any sum credited to Sub-Account A under the provisions of this paragraph shall be credited to Sub-Account B.

(6) Notwithstanding the provisions of the foregoing paragraphs of this Article, the percentages of the sterling allocations to Sub-Accounts A, B and C may be altered by agreement between the two Contracting Governments.

Article 4.

(1) Sums standing to the credit of Sub-Account A shall be utilised for the payment of all debts due and owing at the date of the coming into force of this Agreement and all debts falling due after that date from persons in Spain to persons in the United Kingdom in respect of the price of United Kingdom goods imported or to be imported into Spain, and in respect of freights for the carriage of goods or passengers between the two countries in British ships, or in respect of any bill of exchange given by way of payment for a debt in respect of any such price or freight as aforesaid, not being debts which fell due before the 1st April, 1939, and all such debts shall be paid in pesetas to the Instituto for transfer through the said Sub-Account A.

(2) Sums standing to the credit of Sub-Account A may also be utilised for the payment of all debts due and owing at the date of the coming into force of this Agreement or falling due after that date from persons in Spain to persons in the United Kingdom or in Newfoundland in respect of the price of Newfoundland codfish and stockfish imported or to be imported into Spain, and in respect of the carriage of such fish to Spain in British ships, not being debts which fell due before the 1st April, 1939, and such debts may be paid in pesetas to the Instituto for transfer through the said Sub-Account A.

(3) The provisions of paragraph (1) of this Article shall, in the case of goods purchased after the date of the coming into force of this Agreement, apply only to payments made for goods which are accompanied by a certificate, in duplicate, issued by a United Kingdom Chamber of Commerce (or other body or person authorised by the Government of the United Kingdom) that the goods have been grown, produced or manufactured in the United Kingdom.

(4) The provisions of paragraph (2) of this Article shall, in the case of codfish or stockfish purchased after the date of the coming into force of this Agreement, apply only to exports of codfish and stockfish which are accompanied by a certificate, in duplicate, issued by the Newfoundland Department of Natural Resources that the fish are of Newfoundland catching.

(5) The two certificates referred to in paragraphs (3) and (4) of this Article shall be delivered by the importer to the Instituto at the time of payment : one shall be transmitted by the Instituto to the Clearing Office together with the relative advice of payment which the Instituto will send to the Clearing Office in accordance with the provisions of Article 9 (1) of this Agreement ; and the other shall be retained by the Instituto.

(6) The Contracting Governments may from time to time agree that, notwithstanding the foregoing provisions of this Article, the sums credited to Sub-Account A shall, up to such maximum as the Contracting Governments may agree, be available for the transfer of debts due from persons in Spain to persons in the United Kingdom in respect of the price of special classes of United Kingdom goods ; and the Clearing Office and the Instituto shall make such arrangements as may be necessary to determine the order of, and eligibility for, transfer of these debts.

Article 5.

(1) Payments in pesetas may be made to the Instituto, for transfer through Sub-Account B, in respect of debts due or falling due from persons in Spain to persons in the United Kingdom in respect of the price of goods imported into Spain which have been grown, produced, or manufactured in such countries or territories, other than the United Kingdom, as may from time to time be agreed between the two Contracting Governments, and in respect of freights for the carriage of such goods in British ships from any country or territory, other than the United Kingdom, to Spain, or in respect of any bill of exchange given by way of payment for a debt in respect of any such price or freight as aforesaid, not being debts which fell due before the 1st April, 1939 ; provided that, if the Clearing Office agree, the Instituto may accept payments for transfer through Sub-Account B to persons in the United Kingdom in respect of debts due from persons in Spain to persons ordinarily resident or ordinarily carrying on business in any of the countries or territories so agreed in respect of the price of goods or freights as aforesaid.

(2) The provisions of paragraph (1) of this Article shall, in the case of goods purchased after the date of the coming into force of this Agreement, apply only to payments for goods which are accompanied by a certificate, in duplicate, issued by a United Kingdom Chamber of Commerce (or other body or person authorised by the United Kingdom Government) that the goods in question have been grown, produced or manufactured in a country or territory specified by the two Contracting Governments under the provisions of paragraph (1) of this Article.

(3) The two certificates referred to in paragraph (2) of this Article shall be delivered by the importer to the Instituto at the time of payment ; one shall be transmitted by the Instituto to the Clearing Office together with the relative advice of payment which the Instituto will send to the Clearing Office in accordance with the provisions of Article 9 (1) of this Agreement ; and the other shall be retained by the Instituto.

Article 6.

(1) Payments in pesetas may, subject to the provisions of the following paragraphs of this Article, be made to the Instituto for transfer through Sub-Account C, in respect of any sums due and owing at the date of the coming into force of this Agreement or falling due after that date from persons in Spain to persons in the United Kingdom in respect of insurance and re-insurance premiums, licence fees, royalties, commissions, interest, and other financial payments of a revenue nature, and any other remittances which may be agreed between the Instituto and the Clearing Office, not being sums due before the 1st April, 1939.

(2) Applications by persons in Spain for transfer of any sums referred to in paragraph (1) of this Article shall be made to the Instituto ; and the Instituto may require the said persons to produce evidence in support of such applications.

(3) The Clearing Office and the Instituto shall make such arrangements as may be necessary to determine the order of, and eligibility for, transfer of sums referred to in paragraph (1) of this Article.

(4) In cases where the Instituto has approved an application for the transfer of any sums referred to in paragraph (1) of this Article, and the sterling balance in Sub-Account C is insufficient

to enable the transfer to be effected immediately in accordance with the provisions of Article 8 of this Agreement, the full peseta equivalent of the sums in question shall, at the request of the creditor in the United Kingdom, be deposited provisionally by the debtor in a blocked account at the Instituto in the name of the creditor, until such time as the sterling balance in Sub-Account C is sufficient to enable the Instituto to accept payment for transfer in accordance with the provisions of Article 8 of this Agreement. For this purpose, where the debt is expressed to be payable in a currency other than the peseta, the amount to be deposited in the blocked account shall be the full peseta equivalent of the amount due at the official selling rate published by the Instituto for such other currency for the day on which the deposit is made. Any difference of exchange between the date of the said deposit and the date when the Instituto transmits the advice of payment shall be credited or debited to the debtor.

Article 7.

(1) Payments in advance in respect of the purchase of Spanish or United Kingdom goods to be imported into the United Kingdom or Spain respectively may be transferred in accordance with the provisions of this Agreement, subject to any conditions that may be laid down by the Clearing Office or the Instituto, as the case may be.

(2) Where a corporation in Spain is a subsidiary of a corporation in the United Kingdom, or a corporation in the United Kingdom is a subsidiary of a corporation in Spain, the parent corporation may, subject to the prior approval of the Clearing Office and the Instituto in each case, make advances to the subsidiary corporation through the Sterling Current Account or by the payment to the Instituto of the necessary sum in pesetas, as the case may be.

Article 8.

(1) All persons in Spain from whom debts are due to be transferred in accordance with the provisions of Articles 4, 5 and 6 of this Agreement shall pay the full peseta equivalent of such debts to the Instituto, and, except in cases where a provisional deposit is made in accordance with the provisions of paragraph (4) of the said Article 6, the Instituto shall immediately transmit to the Clearing Office in accordance with the provisions of Article 9 (1) of this Agreement advices of payments to be made in sterling from the respective Sub-Accounts of the Sterling Current Account. For this purpose the amount of the sterling payment to be made to a creditor in the United Kingdom shall be :

(a) Where the debt is expressed to be payable in sterling, the full sterling amount due ;

(b) Where the debt is expressed to be payable in pesetas, the full sterling equivalent of the peseta amount due at the official selling rate for sterling for the day on which the Instituto transmits the advice of payment ;

(c) Where the debt is expressed to be payable in a currency other than the peseta or sterling, the full sterling equivalent of the amount due at the official rate published by the Instituto for such other currency and sterling for the day on which the Instituto transmits the advice of payment.

(2) When the Instituto transmits the advice of payment to the Clearing Office, the Spanish debtor is discharged from the corresponding amount of his debt.

(3) On receipt of the advices of payment referred to in paragraph (1) of this Article, the Clearing Office shall, within the limits of the sums available in the respective Sub-Accounts, pay to the persons entitled thereto the amounts indicated, in chronological order of the said advices of payment transmitted by the Instituto ; provided that, in the case of payments to be made from the Sub-Accounts A and B in accordance with the provisions of Articles 4 and 5 of this Agreement, payments in respect of debts due for freights shall be made in priority to payments in respect of any other debts.

Article 9.

(1) The Instituto shall furnish the Clearing Office daily, in such form as may be agreed between them, with particulars of payments which have to be made from the various Sub-Accounts of the Sterling Current Account, and the Clearing Office shall send daily to the Instituto, in such form as may be agreed between them, schedules of all payments which have been made by debtors in the United Kingdom for the credit of the Sterling Current Account.

(2) The Clearing Office shall inform the Instituto daily of the amounts allocated from the Sterling Current Account to the Sub-Accounts A, B and C and the Sterling Loan Sub-Account and of the sums paid from the Sub-Accounts of the Sterling Current Account.

Article 10.

(1) On and after the date of the coming into force of this Agreement, all debts due and owing at the date of the coming into force of this Agreement in respect of the price of Spanish goods imported into the United Kingdom before the 19th December, 1936, shall be paid in sterling to a non-interest-bearing account to be opened at the Bank of England in the name of the Controller of the Clearing Office, to be called the " Sterling Arrears Account ".

(2) The Clearing Office shall, on the coming into force of this Agreement, transfer to the Sterling Arrears Account the sums which, at the close of business on the day preceding the date of the coming into force of this Agreement, are standing to the credit of the reserve account opened at the Bank of England in the name of the Controller of the Clearing Office in pursuance of the Clearing Office (Spain) Amendment No. 2 Order, 1936 (hereinafter referred to as the " Reserve Fund Account ").

(3) Sums already paid to the Bank of England for the credit of the Clearing Office, which are in course of collection on the date of the coming into force of this Agreement and which would, but for the coming into force of this Agreement, have been transferred to the Reserve Fund Account, shall be credited to the Sterling Arrears Account.

(4) All sums advanced to the Spanish Government by the Government of the United Kingdom in accordance with the provisions of Article 2 of the Loan Agreement shall be placed to the credit of the Sterling Arrears Account.

(5) All amounts credited to the Sterling Arrears Account shall be allocated in the books of the Clearing Office to a non-interest-bearing Sub-Account in the name of the Instituto (hereinafter referred to as " the Sterling Arrears Sub-Account ").

(6) Where a debt is payable in accordance with the provisions of paragraphs (1) and (3) of this Article and is expressed to be payable in pesetas, the relative payment shall be made in sterling at the official buying rate of exchange for sterling for the day preceding the day of payment ; and where a debt so payable is expressed to be payable in any currency other than sterling or the peseta, payment shall be made in sterling at the London selling rate for sight drafts in such other currency ruling at the date of payment. Thereafter such debts shall be deemed to have been expressed to be payable in sterling.

(7) Payment under the provisions of paragraphs (1) and (3) of this Article shall constitute a discharge to the debtor for the corresponding amount of the debt.

(8) (a) The Clearing Office shall, as soon as possible after the date of the coming into force of this Agreement, transmit to the Instituto schedules of the amounts transferred from the Reserve Fund Account to the Sterling Arrears Account, under the provisions of paragraph (2) of this Article.

(b) The Clearing Office shall also transmit daily to the Instituto, in such form as may be agreed between the two Institutions, schedules of the amounts paid into the Sterling Arrears Account under the provisions of paragraphs (1) and (3) of this Article.

(9) As soon as the schedules have been transmitted to the Instituto in accordance with the provisions of paragraph (8) of this Article, the sterling sums indicated in those schedules shall be immediately available for the transfer of peseta sums standing to the credit of the Peseta Arrears Account.

(10) On receipt of the schedules referred to in paragraph (8) of this Article, the Instituto shall immediately give instructions for payment to the persons entitled thereto of the equivalent in pesetas of the amounts indicated in the schedules.

Article II.

(1) The Instituto shall cause the peseta sums which have been deposited with a view to effecting the transfer of amounts in sterling or other currencies to persons in the United Kingdom or in Newfoundland for the purposes laid down in Article I of the 1936 Agreement, and which, at the close of business on the day preceding the date of the coming into force of this Agreement, are standing to the credit of the account (hereinafter referred to as the "Peseta Account") opened at the Banco Exterior de España in accordance with the terms of the said Article, to be transferred to an account to be opened at the Instituto, to be called the "Peseta Arrears Account".

(2) 50 per cent. of all sums due and owing at the date of the coming into force of this Agreement in respect of payments of any of the classes defined in paragraph (3) of this Article shall, except in so far as a deposit has been made in respect of them in the Peseta Account, be paid in pesetas to the Peseta Arrears Account; and for this purpose the Instituto shall immediately give the necessary instructions to all Banks in Spain with whom deposits have been, or may hereafter be, made in respect of any payments as aforesaid by debtors in Spain in favour of persons in the United Kingdom or in Newfoundland with a view to their transfer to the Peseta Arrears Account.

(3) The payments to which paragraph (2) of this Article shall apply are payments which fell due before the 1st April, 1939, in respect of:

- (a) The price of United Kingdom or Newfoundland goods imported into Spain;
- (b) The price of re-exports from the United Kingdom to Spain, excluding goods grown, produced or manufactured in countries with which Spain had, at the time when the payment fell due, a Clearing or similar Agreement;
- (c) Freight and other charges connected with trade, and such other purposes as may be agreed between the Clearing Office and the Instituto.

(4) The Instituto shall also accept payment in pesetas into the Peseta Arrears Account of 50 per cent. of sums due to Banks and Accepting Houses in the United Kingdom in respect of matured uncovered acceptances authorised by the Centro before the 18th July, 1936, in so far as such sums are not already eligible for transfer to, or payment into, the Peseta Arrears Account in accordance with the provisions of paragraphs (1) and (2) of this Article.

(5) If a Spanish debtor is unable to produce the documents required by the Instituto to establish the existence of a debt due to a creditor in the United Kingdom or in Newfoundland, the Clearing Office may call for a declaration from the creditor containing particulars of the debt, and notify the Instituto, who shall thereupon make such enquiries of the debtor as may be necessary to establish the existence of the debt.

(6) (a) In the case of debts referred to in paragraphs (2) and (4) of this Article, the Spanish debtor shall pay into the Peseta Arrears Accounts the full peseta equivalent of 50 per cent. of the debt, and the Instituto shall immediately transmit schedules to the Clearing Office containing particulars of the payment to be made in sterling (in such form as may be agreed between the

two Institutions) from the Sterling Arrears Sub-Account. For this purpose the amount of the sterling payment to be made to a creditor in the United Kingdom or in Newfoundland shall be :

- (i) Where the debt is expressed to be payable in sterling, 50 per cent. of the sterling amount due ;
- (ii) Where the debt is expressed to be payable in pesetas, 50 per cent. of the full sterling equivalent of the peseta amount due at the official selling rate for sterling for the day on which the Instituto transmits the relevant schedules to the Clearing Office ;
- (iii) Where the debt is expressed to be payable in a currency other than the peseta or sterling, 50 per cent. of the full sterling equivalent of the amount due at the official rate published by the Instituto for such other currency and sterling for the day on which the Instituto transmits the relevant schedules to the Clearing Office.

(b) When the Instituto transmits the relevant schedule to the Clearing Office, the Spanish debtor will be discharged for the corresponding amount of his debt.

(7) When the sums standing to the credit of the Sterling Arrears Sub-Account are sufficient to enable the payment to be made of a further instalment of 10 per cent. of the sterling amounts due to creditors in the United Kingdom or in Newfoundland in accordance with the provisions of paragraph (2) of Article 12 of this Agreement, the Instituto shall, in the case of debts referred to in paragraphs (2) and (4) of this Article, call upon the Spanish debtors to pay into the Peseta Arrears Account the full peseta equivalent of the said instalment, and for this purpose the provisions of paragraph (6) of this Article shall apply with the substitution of the words " 10 per cent. " for the words " 50 per cent. " .

(8) (a) The full peseta equivalent of the remaining 50 per cent. of any debt referred to in paragraphs (2) and (4) of this Article which has not been paid into the Peseta Arrears Account in accordance with the provisions of paragraph (6) (a) of this Article shall, at the request of the creditor in the United Kingdom or in Newfoundland, as the case may be, be deposited provisionally by the debtor in a blocked account at the Instituto in the name of the creditor. For this purpose, where the debt is expressed to be payable in a currency other than the peseta, the amount to be deposited shall not exceed the full peseta equivalent of the amount due at the official selling rate published by the Instituto for such other currency for the day on which the deposit is made, together with a premium of 10 per cent. on that rate.

(b) When the Instituto requires deposits of pesetas to be made in the Peseta Arrears Account with a view to effecting transfer of a further instalment of the debt in accordance with the provisions of paragraph (7) of this Article, the appropriate sums in pesetas may then be released from the said blocked account, but any balance shall remain blocked in favour of the creditors until such time as it is required for deposit in the Peseta Arrears Account with a view to effecting the transfer of subsequent instalments.

Article 12.

(1) The Instituto shall transmit to the Clearing Office schedules of the amounts transferred to the Peseta Arrears Account in accordance with the provisions of paragraph (1) of Article 11 of this Agreement, in so far as they have not already been transmitted, and of the amounts paid into that Account in accordance with the provisions of paragraphs (6) and (7) of the said Article. Such schedules, whether already transmitted to the Clearing Office or to be transmitted in accordance with the provisions of this paragraph, shall be deemed to be instructions to the Clearing Office to make the corresponding sterling payments in accordance with the provisions of the following paragraphs of this Article, to the persons entitled thereto.

(2) The sums standing to the credit of the Sterling Arrears Sub-Account shall be used for the transfer to creditors in the United Kingdom or in Newfoundland of an initial payment of 50 per cent. of the sterling amounts due to them ; and, thereafter, within the limits of the sterling sums available in the Sterling Arrears Sub-Account, of further instalments of 10 per cent., until they have received the full sterling amounts of the debts due to them.

(3) (a) The sterling amount due to any creditor in respect of debts referred to in paragraph (1) of Article 11 of this Agreement shall be as follows :

(i) In the case of debts expressed to be payable in sterling, the full sterling amount due ;

(ii) In the case of debts expressed to be payable in pesetas, the full sterling equivalent of the peseta amounts due at the official selling rate for sterling for the day preceding the day on which payment is made by the Clearing Office ;

(iii) In the case of debts expressed to be payable in a currency other than the peseta or sterling, the full sterling equivalent of the amount due calculated at the middle opening rate ruling in London for such other currency for the day on which payment is made by the Clearing Office.

(b) The sterling amount due to any such creditor in respect of debts referred to in paragraphs (2) and (4) of Article 11 shall be calculated in accordance with the provisions of paragraph (6) (a) of the said Article.

(4) The Clearing Office shall require a declaration to be made by a person in the United Kingdom before any payment is made to him in respect of a debt to be paid through the Sterling Arrears Sub-Account, that the amount is due to him from the debtor named and has not been paid.

Article 13.

(1) Any person in the United Kingdom in whose favour a sum is blocked in the Peseta Arrears Account may, subject to the prior approval of the Clearing Office and the Instituto, withdraw the whole or any part of it from the Peseta Arrears account and may use the pesetas so obtained to make any payment in Spain except a payment in respect of the price of goods exported or to be exported from Spain.

(2) No sum withdrawn from the Peseta Arrears Account in accordance with the provisions of paragraph (1) of this Article may thereafter be repaid into the said Account.

Article 14.

Where, on the date of the coming into force of this Agreement, payment in whole or in part has not been made in respect of an acceptance which was due to be covered by a payment in sterling by the Clearing Office under the terms of the 1936 Agreements, and the creditor in the United Kingdom has received payment from sterling funds provided by the Banco de España in cover of the said acceptance, then, notwithstanding anything in the foregoing provisions of this Agreement, the sterling amounts which would, but for the provision of funds by the Banco de España as aforesaid, have been due to the original creditor shall, to the extent which the Banco de España has made the said payment, be paid to a non-interest-bearing account to be opened at the Bank of England in the name of the Controller of the Clearing Office, to be called " Account D ". Any sums credited to Account D shall be utilised either for payment to the Sterling Current Account in accordance with the provisions of Article 3 (1) of this Agreement or for any payment to a person in the United Kingdom.

Article 15.

The Contracting Governments will appoint representatives to form a Consultative Committee, which shall meet at such times and places as may be agreed, to consult together on questions arising out of the present Agreement.

Article 16.

For the purpose of this Agreement :

- (1) " Spain " shall mean the territories of the Peninsula, the Canary Isles and the Balearic Isles, Ceuta and Melilla, the Spanish Zone of Morocco and Spanish Colonies ;
- (2) " Spanish goods " shall mean goods grown, produced or manufactured in Spain ;
- (3) " United Kingdom goods " shall mean goods grown, produced or manufactured in the United Kingdom of Great Britain and Northern Ireland ;
- (4) " Newfoundland goods " shall mean goods grown, produced or manufactured in Newfoundland ;
- (5) " A person in Spain " shall mean an individual, firm or corporation ordinarily resident or ordinarily carrying on business in Spain, and shall include the Government of the Spanish State and Spanish State Organisations ;
- (6) " A person in the United Kingdom " shall mean an individual, firm, or corporation ordinarily resident or ordinarily carrying on business in the United Kingdom of Great Britain and Northern Ireland, and shall include the Government of the United Kingdom ;
- (7) " A person in Newfoundland " shall mean an individual, firm or corporation ordinarily resident or ordinarily carrying on business in Newfoundland ;
- (8) " The Instituto " shall mean the Instituto Español de Moneda Extranjera ;
- (9) " The Centro " shall mean the former Centro Oficial de Contratación de Moneda ;
- (10) " The Clearing Office " shall mean the Anglo-Spanish Clearing Office.

Article 17.

The present Agreement shall come into force on the 1st April, 1940. It shall remain in force until the 30th September, 1940, and after that date it shall continue in force, unless notice of not less than one calendar month has been given by one Contracting Government to the other of its intention to terminate the Agreement on that date. Thereafter, if the Agreement is still in force, it may be terminated on the last day of any month, provided that notice of termination is given on or before the first day of the previous month.

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

Done at Madrid, in duplicate, this eighteenth day of March, nineteen hundred and forty, in the English and Spanish languages, both texts being equally authentic.

On behalf of the Government of the United Kingdom of Great Britain and Northern Ireland. On behalf of the Government of the Spanish State.

(L. S.) Maurice PETERSON.

(L. S.) Juan BEIGBEDER.

ANNEX

ANEJO

EXCHANGE OF NOTES REGARDING SPANISH
MOROCCO.

CANJE DE NOTAS RELATIVO A LA ZONA ESPAÑOLA
DE MARRUECOS.

BRITISH EMBASSY.

I.

YOUR EXCELLENCY,

MADRID, *March 18th, 1940.*

At the moment of signature of the Payments Agreement I have the honour to state that His Majesty's Government in the United Kingdom desire me to inform you that, notwithstanding the inclusion of the Spanish Zone of Morocco among the territories covered by the Agreement, they must expressly reserve all their rights in the Spanish Zone of Morocco deriving from existing treaties, including the rights of British subjects, companies and ships.

I have, etc.

Maurice PETERSON.

II.

TEXTE ESPAGNOL. — SPANISH TEXT.

MINISTERIO DE ASUNTOS EXTERIORES.

MADRID, *18 de marzo de 1940.*

EXCMO. SEÑOR,

Tengo la honra de acusar a Vuestra Excelencia recibo de su atenta Nota concerniente a la extensión de nuestro Acuerdo de pagos y régimen comercial a la Zona Española de Marruecos, de cuyo contenido quedo informado.

Aprovecho esta oportunidad para reiterar a Vuestra Excelencia las seguridades de mi alta consideración.

Juan BEIGBEDER.

II.

¹ TRADUCTION. — TRANSLATION.

MINISTRY OF FOREIGN AFFAIRS.

MADRID, *March 18th, 1940.*

YOUR EXCELLENCY,

I have the honour to acknowledge the receipt of Your Excellency's note concerning the extension to the Spanish Zone of Morocco of our Agreement relating to Payments and Commercial Intercourse, and I have taken note of its contents.

I avail, etc.

Juan BEIGBEDER.

¹ Traduction du Foreign Office de Sa Majesté britannique.

¹ Translation of His Britannic Majesty's Foreign Office.