No. 793

INDIA
and
PAKISTAN

Agreement in regard to modifications in the monetary arrangements. Signed at New Delhi, on 31 March 1948

Official text: English.
Registered by India on 10 May 1950.

INDE
et
PAKISTAN

Accord portant modification des arrangements monétaires. Signé à New-Delhi, le 31 mars 1948

Texte officiel anglais.
Enregistré par l'Inde le 10 mai 1950.

No. 793. AGREEMENT[1] IN REGARD TO MODIFICATIONS IN THE MONETARY ARRANGEMENTS BETWEEN INDIA AND PAKISTAN. SIGNED AT NEW DELHI, ON 31 MARCH 1948

In modification of the provisions of the Pakistan (Monetary System and Reserve Bank) Order, 1947, and the agreement made in December 1947, regarding the division of sterling balances, the Governments of India and Pakistan agree as follows :

(1) *Date of termination of Reserve Bank's functions in Pakistan*

The Reserve Bank will continue to function in Pakistan up to the 30th June 1948 in all respects as at present, i.e. as the currency authority, the banker of Government, agents for the management of public debt and for the exercise of exchange control.

2) *Reduction of currency chest balances in Pakistan*

The work of destruction or removal to India of India notes and coin held in currency chests in Pakistan will be accelerated so that the balances left over on 30th June 1948 will be reduced to the minimum possible. The Pakistan Government will ensure that all possible facilities are provided to the Reserve Bank for this purpose.

(3) *Mode of transfer of assets of the Issue Department*

(a) If at the close of business on the 30th day of June 1948, the currency chests in Pakistan contain an excess of India notes and India or Pakistan rupee coins over the amount of Pakistan notes put into circulation up to that date, the Pakistan Government undertakes the obligation to return as expeditiously as possible to the Reserve Bank of India such excess unconditionally and shall not be entitled to receive any assets of the Issue Department of the Reserve Bank in respect thereof. All the currency chests in Pakistan shall be deemed to be transferred from the Reserve Bank to the Pakistan State Bank at the close of business on 30th June 1948 and the State Bank shall give a certificate to the Reserve Bank acknowledging the value of the excess as stated above and the obligation to return it unconditionally.

[1] Came into force on 31 March 1948 by signature.

(b) The Pakistan Government undertakes that no Indian notes shall be put into circulation from the currency chests after the 30th June 1948.

(c) If at the close of business on the 30th day of June 1948, the value of Pakistan notes put into circulation exceeds the value of India notes and India or Pakistan coin held in the currency chests in Pakistan, the Reserve Bank of India will give to the State Bank of Pakistan a certificate acknowledging the value of the deficiency and the obligation to transfer to the Pakistan State Bank equivalent assets of the Issue Department of the Reserve Bank on the surrender of the certificate.

(d) Except in regard to the assets equivalent to the deficiency mentioned in *(c)* above, which will be transferred as soon after 1st July 1948 as possible, the physical transfer of assets of the Reserve Bank to the Pakistan State Bank shall be made only after the return to the Reserve Bank of India of the excess specified in the certificate referred to in sub-paragraph *(a)* and shall be subject to the procedure outlined in the next succeeding sub-paragraphs.

(e) As on the 1st July 1948 the Reserve Bank will issue a certificate recognising the obligation of the Bank to deliver to the Pakistan State Bank assets equivalent to the Pakistan notes in circulation on 30th June 1948 1948 on discharge by the Government of Pakistan of the liability to return the excess in currency chests as on 30th June 1948 in terms of sub-paragraph *(a)*. The certificate will give particulars of the assets to be delivered.

(f) After the Pakistan State Bank has completed the return of the excess specified in sub-paragraph *(a)*, any further delivery of India notes and coins from the currency chests as on 30th June 1948, will entitle the Pakistan State Bank to proportionate assets of the Issue Department in respect of the notes. Such delivery shall be made to the Reserve Bank of India at any office in India in multiples of Rs. five crores except in the last instalment, and the Reserve Bank will transfer as early as possible proportionate assets except that in the case of gold the transfer will take place in not less than a complete bar, any excess being met in subsequent instalment. The certificate issued under *(c)* above will be modified from time to time as transfer of assets takes place.

(g) After the completion of the delivery of India notes and coins from the currency chests equal to the Pakistan notes in circulation on 30th June 1948, the Pakistan State Bank will deliver to the Reserve Bank, in the manner as stated in *(f)* above, India notes returning from circulation