

AGREEMENT made as of the 1st day of March, 1942, at the City of Washington, District of Columbia, between the Secretary of the Treasury of the United States of America (hereinafter called the Secretary), and the Government of the Republic of Ecuador (hereinafter called Ecuador).

WHEREAS, the monetary and financial cooperation of the United States of America and the Republic of Ecuador and the stabilization of the United States dollar-Ecuadoran sucre rate of exchange are important factors in promoting trade and in fostering the welfare and friendly relationships of the two countries;

NOW, THEREFORE, in order to further such objectives and in consideration of the premises and of the mutual covenants herein contained, it is agreed as follows:

1. The Secretary shall, as hereinafter provided, purchase Ecuadoran sucres from Ecuador from time to time as requested by Ecuador, the United States dollar paid therefor to be used exclusively for the purpose of stabilizing the exchange value of the Ecuadoran sucre with respect to the United States dollar. The total amount of sucres thus purchased by the Secretary, computed at the rate at which such sucres are purchased as hereinafter provided, exclusive of accrued interest thereon and of any sucres repurchased, shall not at any time exceed in the aggregate the equivalent of United States \$5,000,000. The sucres so purchased shall be deposited in the form of sucre currency notes in the Treasury of Ecuador in a special account to the credit of the Federal Reserve Bank of New York as Fiscal Agent of the United States (hereinafter in its capacity as Fiscal Agent of the United States called the Federal), to be opened in the name of "Federal Reserve Bank of New York as Fiscal Agent of the United States" (hereinafter referred to as Special Account T), or shall be credited to such an account in the Banco Central del Ecuador (hereinafter referred to as Special Account B). Upon receipt by the Federal Reserve Bank of New York of advice from Ecuador, in accordance with tested arrangements agreed upon between the Secretary and Ecuador, that a stated amount of sucres has been deposited in or credited to Special Accounts T or B, the Federal will in turn, in payment

therefor, credit Ecuador in a special account to be opened by the Federal in the name of "Government of the Republic of Ecuador, Special Account", in an amount in United States dollars equivalent, at the then prevailing official buying rate of the Banco Central del Ecuador for cable transfers on New York payable in United States dollars, to the amount in sucres deposited in or credited to Special Accounts T or B.

2. Ecuador shall deposit interest in the form of sucre currency notes in Special Account T or instruct the Banco Central del Ecuador to credit interest in Special Account B on the last day of each successive month from and after the date hereof. Such interest shall be paid only on the daily balance of such sucres in such Special Accounts as were purchased by the Secretary under this Agreement, and shall be computed at the rate of $1-1/2\%$ (one and one-half percent) per annum. There may be reconsideration of the interest rate at any meeting provided for in paragraph 9 of this Agreement.

3. (a) One hundred and eighty days after the receipt of notice from the Secretary containing such request, Ecuador shall repurchase, or cause to be repurchased, during the next succeeding three hundred and sixty days, in United States dollars, by payments at the Federal Reserve Bank of New York, any or all of the sucres purchased by the Secretary at the same rate or rates of exchange at which such sucres were purchased. Such sucres shall be repurchased during such three hundred and sixty days in such amounts so that at the end of any thirty-day period the total amount of sucres so repurchased shall not be less than would have been repurchased if Ecuador had been repurchasing the sucres in twelve equal installments during such three hundred and sixty-day period.

(b) Whether or not such a request has been made by the Secretary, sucres in the amount of such accrued interest shall be purchased or caused to be purchased by Ecuador by payment in United States dollars at the Federal Reserve Bank of New York on the last day of each successive three-months' period from and after the date hereof and upon the termination of this Agreement, at the average rate of exchange at which the sucres, upon which such interest has accrued, were purchased by the Secretary.

(c) The aforementioned Special Accounts, the sucres deposited therein or credited thereto (including interest), and all transactions respecting such accounts, and the other obligations of Ecuador under this Agreement shall, in so far as the rights, powers, and privileges of the United States and the Secretary may thereby be affected, be exempt and immune from any taxes, fees, charges, restrictions, and controls of any nature under the laws of Ecuador or any political subdivision or taxing authority thereof; except to the same extent that any taxes, fees, charges, restrictions and controls of any nature under the laws of the United States or any political subdivision or taxing authority thereof affecting the rights, powers, and privileges of Ecuador are imposed upon the "Government of the Republic of Ecuador, Special Account", or the dollars credited thereto, or any transactions respecting such account, or other obligations of the Secretary under this Agreement.

4. Ecuador may also at any time repurchase the sucres described in paragraph 3 by payments at the Federal Reserve Bank of New York in United States dollars at the rate of exchange provided in paragraph 3.

5. In the event of any failure to repurchase (or, in the case of interest, purchase) the sucres as provided in paragraph 3 or of any other act, done or omitted, not in accordance with the provisions of this Agreement, Ecuador shall, if and when the Secretary so elects by giving notice to Ecuador to such effect, become forthwith obligated to repurchase or cause to be repurchased, or in the case of interest, purchase or cause to be purchased, all of the sucres at a total purchase price in United States dollars determined as provided in paragraph 3 by payment at the Federal Reserve Bank of New York and the dollars remaining in the "Government of the Republic of Ecuador, Special Account" shall be retained by the Federal and applied by the Secretary or the Federal as a payment on account of such purchase price. No failure or delay on the part of the Secretary in exercising any of his rights, powers, or privileges, in whole or in part, under this Agreement shall constitute a waiver thereof, or of any other rights, powers, or privileges granted to the Secretary under this Agreement; and no failure or delay

on the part of Ecuador in exercising any of its rights, powers or privileges, in whole or in part, under this Agreement shall constitute a waiver thereof, or of any other rights, powers or privileges granted to Ecuador under this Agreement.

6. The Federal Reserve Bank of New York, as Fiscal Agent of the United States, will act for the Secretary in carrying out this Agreement. It is understood that the Federal Reserve Bank of New York will act only as Fiscal Agent of the United States in so carrying out this Agreement and in doing and performing any acts or transactions in connection with this Agreement, and that it will not incur any liability for any acts done or omitted pursuant to instructions of the Secretary. The Federal is authorized to accept and act upon any writing relating to the purchase of sucres under this Agreement or relating to any account operated in accordance with this Agreement which is received by the Federal in the name of Ecuador or its fiscal agent and which is believed by the Federal to be genuine, and upon any cablegram, radiogram, or telegram relating to the foregoing which is received by the Federal in the name of Ecuador or its fiscal agent and which conforms to existing or future arrangements agreed upon between Ecuador or its fiscal agent and the Federal Reserve Bank of New York, or to arrangements hereafter agreed upon between Ecuador or its fiscal agent and the Federal with regard to the authentication of cablegrams, radiograms, or telegrams by the use of test numbers, and all such writings, cablegrams, radiograms, and telegrams shall be binding upon Ecuador and its fiscal agent.

7. In carrying out this Agreement Ecuador may designate the Banco Central del Ecuador as its fiscal agent provided that Ecuador shall give the Secretary written notification of such designation before the Banco Central del Ecuador acts in such capacity under this Agreement.

8. Any notice given by the Secretary to Ecuador or to the Banco Central del Ecuador, if acting as Fiscal Agent of Ecuador in carrying out this Agreement, shall be deemed and taken as full notice to Ecuador, and such notice may be given by the Secretary to Ecuador at the office of the Minister

of Finance of Ecuador at Quito, Ecuador, to the Ecuadoran Embassy at Washington, D. C., or to the Banco Central del Ecuador at its head office in Quito, Ecuador, if acting as Fiscal Agent of Ecuador under this Agreement.

9. Ecuador and the Secretary agree that at periodic intervals of approximately six months from and after the date on which this Agreement becomes effective (the precise dates to be agreed upon) there shall be held a consultative meeting to be attended by the representatives of each of such parties to discuss and consider the United States dollar-Ecuadoran sucre rate of exchange, problems of mutual interest in connection therewith, and all other monetary, financial, and economic problems of mutual interest.

10. Ecuador agrees that, without providing the Secretary with an opportunity for consultation, no substantial change in the effective United States dollar-Ecuadoran sucre rate of exchange will be made.

11. Ecuador agrees that the dollars made available under this Agreement will be used as a revolving fund for the stabilization of the exchange value of the Ecuadoran sucre with respect to the United States dollar, and that due diligence will be exercised to prevent the permanent exhaustion of the fund. In particular, Ecuador agrees to take all reasonable measures to prevent unwarranted internal currency and credit expansion such as would cause an undue drain on the dollars made available hereunder. Ecuador further agrees to exercise or cause to be exercised, such diligence as will avoid, so far as possible, any undue delay in payments for imports from the United States or in other remittances to the United States.

12. Each of the parties to this Agreement shall take and cause to be taken all the necessary measures to effectuate the purposes and intent of this Agreement and to provide each other with such information in their possession relative to foreign exchange transactions, stabilization operations and other matters of mutual interest as is relevant to the proper functioning of this Agreement.

13. Any obligation of the Secretary pursuant to this Agreement shall be subject to and dependent upon the due performance by Ecuador of any

obligations to be performed or liabilities to be discharged by Ecuador under this Agreement and any arrangements made pursuant thereto.

14. Any obligation of the Secretary to purchase sucres under this Agreement shall terminate on June 30, 1943, subject to earlier termination at any time thirty days after receipt by Ecuador of a written notice from the Secretary to that effect. The termination of any such obligation of the Secretary shall not affect any of the rights, powers, or privileges of the Secretary, or any of the duties, liabilities, or obligations of Ecuador hereunder, all of which shall continue in effect until Ecuador shall have fully performed its said duties and obligations and discharged said liabilities. If an extension or extensions of the Agreement are agreed upon, the Agreement shall continue in full force and effect during the period thus agreed upon. In the event that Ecuador wishes an extension of this Agreement, it will give the Secretary notice to that effect in writing or by cable at least thirty days prior to the termination of the Agreement or of any extension thereof.

15. This Agreement shall come into operation and effect as between the parties hereto when Ecuador shall file with the State Department of the United States appropriate documents satisfactorily evidencing the authority of Ecuador to enter into this Agreement or satisfactorily evidencing ratification of the action of Ecuador in entering into this Agreement. Ecuador represents and agrees that upon the delivery of the aforementioned documents, the execution and delivery of this Agreement shall have in all respects been duly authorized or ratified, and that all acts, conditions, and legal formalities which should have been completed prior to this Agreement becoming effective shall have been completed as required by the constitution, laws, statutes, decrees, and regulations of Ecuador, and in conformity therewith.

IN WITNESS WHEREOF, the parties hereto have executed this Agreement in duplicate.

/s/ Henry Morgenthau, Jr.
SECRETARY OF THE TREASURY OF THE UNITED STATES

GOVERNMENT OF THE REPUBLIC OF ECUADOR

By /s/ C. E. Alfaro
Ambassador Extraordinary and Plenipotentiary

By /s/ E. Salazar
Minister-Counselor to the Embassy