

T H I S A G R E E M E N T is made as of the First day of April One thousand nine hundred and forty-one B E T W E E N THE NATIONAL GOVERNMENT OF THE REPUBLIC OF CHINA (hereinafter called "China") of the first part THE CENTRAL BANK OF CHINA whose registered office is situate at Chungking (hereinafter called "the Bank") of the second part and THE COMMISSIONERS OF HIS MAJESTY'S TREASURY (hereinafter called "the Treasury") of the third part

W H E R E A S by an Agreement dated the 10th day of March 1939 (hereinafter referred to as "the 1939 Agreement") the Chinese Currency Stabilisation Fund (hereinafter referred to as "the 1939 Fund") was established with the approval of the Treasury for the purpose of checking undue fluctuations in the Chinese dollar in relation to sterling:

A N D W H E R E A S the Treasury are desirous of making further provision for checking undue fluctuations in the exchange value of Chinese currency in relation to sterling:

N O W T H E R E F O R E I T I S A G R E E D as follows :-

1. IN this Agreement the expression "the Board" means the Stabilisation Board established for the purposes of this Agreement and mentioned in clause 9 hereof and the expressions "Chinese yuan" or "Chinese dollar" mean the standard unit of currency of the National Government of the Republic of China.
2. (1) THE 1939 Fund shall be maintained and the Sterling Account, the Sterling Income Account and the Chinese Dollar Accounts established in connection with that Fund (hereinafter respectively referred to as "the Sterling Account 1939", "the Sterling Income Account 1939" and "the Chinese Dollar Accounts 1939") shall be controlled and operated by the Board on the same terms and conditions as are provided in relation thereto in the 1939 Agreement save that for the purposes of clause 3 of that Agreement that Fund may be used for the purchase and sale of Chinese dollars and other necessary operations on such other markets in addition to

the markets of Hong Kong and Shanghai as the Board may with the consent of the Treasury direct and for the purposes of clause 4 (a) of that Agreement all Chinese dollars purchased with sterling belonging to that Fund shall, instead of being deposited in Shanghai or Hong Kong for account of that Fund in the Hongkong Bank or the Chartered Bank or in both such Banks, be deposited in such place or places and in such Bank or Banks as the Board may with the consent of the Treasury direct.

(2) THIS clause shall come into force on such date as the Treasury may by notice given to the Board determine.

3. THERE shall be established a further Fund for the purpose of checking undue fluctuations of the exchange value of the Chinese yuan in relation to sterling (hereinafter referred to as "the Sterling Fund 1941") and for that purpose the Treasury shall, within seven days after being requested to do so by the Board, pay to an account at the Bank of England (hereinafter called "the Sterling Account 1941") such sums not exceeding in the aggregate £5,000,000 as the Board may certify to be necessary for checking undue fluctuations of the exchange value of the Chinese yuan in relation to sterling. The sums so paid by the Treasury are hereinafter referred to as "the Treasury subscription".
4. THE Sterling Fund 1941 shall be used solely for the purchase and sale of Chinese yuan and other necessary operations on the exchange markets of Hong Kong and Shanghai and on such other markets as the Board may with the consent of the Treasury direct in order to check undue fluctuations of the exchange value of the Chinese yuan in relation to sterling.
5. (1) ALL Chinese yuan purchased with sterling belonging to the Sterling Fund 1941 shall be held in Chinese legal tender money and in no other form and shall be deposited in such place or places and in such Bank or Banks as the Board may with the consent of the Treasury direct in a separate account

or accounts (which accounts are hereinafter referred to as "the Chinese Yuan Accounts 1941").

(2) SUCH deposits shall be available for satisfaction of sales of Chinese yuan made on behalf of the Sterling Fund 1941 and for no other purpose.

6. ALL Sterling sums received on sales of Chinese yuan made on behalf of the Sterling Fund 1941 shall be paid to the Sterling Account 1941.

7. (1) ALL sterling in the Sterling Account 1941 and not for the time being required for the purposes set out in clause 4 hereof shall remain in the Account and may to the extent to which it is not in the opinion of the Board currently required for market operations be invested in Treasury Bills of the United Kingdom or prime Bank Bills of not more than ninety days maturity.

(2) ANY interest or discount earned on such sterling assets shall be paid into a separate account at the Bank of England (hereinafter referred to as "the Sterling Income Account 1941") and until the Treasury subscription has been repaid in full shall be used solely in or towards satisfaction of the interest payable to the Treasury in accordance with the provisions of clause 8 hereof.

8. (1) UNTIL the whole of the Treasury subscription has been repaid in full China and the Bank undertake that there shall be paid to the Treasury in London interest in sterling at the rate of $1\frac{1}{2}$ per cent per annum on so much of the Treasury subscription as remains unrepaid.

(2) THE first payment of interest shall be made on the 1st day of October 1941 and subsequent payments shall be made half-yearly on the 1st day of April and the 1st day of October provided that the last payment shall be made on the date on which repayment of the Treasury subscription is completed.

(3) THE interest payable under this clause shall be paid out of the Sterling Income Account 1941 if and to the extent to which the sums standing to the credit of that

account are sufficient for that purpose.

9. (1) CHINA shall establish and maintain a Stabilisation Board of China (hereinafter referred to as "the Board") which shall be charged with the duty of managing, controlling and giving directions for the operation of the 1939 Fund and the Sterling Fund 1941 (hereinafter collectively referred to as "the Funds") in the manner best suited to achieve the objects for which they are respectively established. The Board may also be authorised by China to manage and control any other stabilisation funds in which China or the Bank has an interest. The Board shall consist of five members all of whom shall be appointed by China and at least three of whom shall be nationals of China. China shall designate one of such nationals of China as Chairman of the Board. At least one member of the Board (hereinafter called "the British member") shall be appointed by China at the request and upon the recommendation of the Treasury. The British member shall be a British subject, shall be permitted to serve so long as desired by the Treasury, shall be removed from office by China upon request of the Treasury and shall be permitted to keep the Treasury fully and currently informed of all activities of the Board effected or contemplated. If the British member dies, resigns, is removed or otherwise vacates his office his successor shall be appointed by China at the request and upon the recommendation of the Treasury on the same terms and conditions as were applicable to such member. Any member of the Board may appoint any person of his own nationality to be an alternate member of the Board in his absence and the person so appointed while he holds office as an alternate member shall be entitled in the absence of the member appointing him to attend, vote at meetings of the Board and to exercise the powers of that member. An alternate member shall vacate office if the member appointing him removes him from office or if the member appointing him himself ceases to be a member of the Board.

(2) THE Board shall have authority to determine what constitutes a quorum for a meeting provided that a quorum shall contain at least four members of the Board, and to take action by a poll of the members of the Board without a meeting on questions submitted to them by or at the request of the Chairman, provided that such action shall have been approved by such number of members as is necessary to constitute a quorum. The Board shall have authority to determine its place or places of operation. Subject to the provisions of this sub-clause the Board shall have unfettered authority to determine its own procedure.

Upon any vacancy arising on the Board China shall forthwith fill the vacancy but the Board may act notwithstanding such vacancy. All acts bona fide done by any meeting of the Board or by any person acting as a member of the Board shall, notwithstanding it be afterwards discovered that there was some defect in the appointment of any such member or person acting as aforesaid or that they or any of them were disqualified, be as valid as if every such person had been duly appointed and was qualified to be a member of the Board.

10. (1) TO enable the Board to carry out the purpose of the Funds China shall vest in the Board power and authority to deal for account of the Funds in gold and foreign exchange and the Board shall be authorised and empowered by China to take such action directly or through such persons or agencies as may be designated by the Board.

(2) AT the end of each month the Board shall prepare a statement of the operations of each of the Funds during that month and a statement of the position of each of the Funds and every three months shall prepare a balance-sheet and a report showing the policy of the Board and the operations of the said Funds. Copies of such statements, reports and balance-sheets as well as any statements, reports and balance-sheets of any other stabilisation funds managed or operated by the Board shall be furnished to China and the Treasury. China, the Bank and the Board will in every way assist the British

member of the Board in obtaining and furnishing to the Treasury complete information relating to each of the Funds and their respective assets and any other stabilisation funds managed or operated by the Board and their assets and all activities of the Board effected or contemplated. In this connection China, the Bank and the Board will give or cause to be given to the British member all necessary facilities and information.

11. (1) THE Board may pay a commission to banks for their services in operating on behalf of any of the Funds.
- (2) ANY such commission all cable charges and brokerage paid to and retained by any exchange brokers and other out-of-pocket expenses of a similar nature incurred by the Board in operating any of the Funds may be charged to the Fund in respect of which the operation is made.
- (3) ALL other expenses incurred by the Board in connection with any of the Funds may be charged to the Fund in respect of which such expenses are incurred.
12. (1) THE Treasury may at any time give notice to China determining this Agreement and requesting repayment of the Treasury subscription and on the expiration of one month from the date of giving such notice the Sterling Fund 1941 shall be liquidated and the following provisions shall have effect, that is to say :-
- (a) Any sums standing to the credit of the Sterling Income Account 1941 shall be applied in the following order of priority:
- (i) in paying to the Treasury any interest due to them under sub-clause (1) of clause 8 hereof
- (ii) in reimbursing to China and the Bank any sums paid by them to the Treasury under the said sub-clause (1), and
- (iii) in paying the balance to the Treasury in or towards repayment of the Treasury subscription.
- (b) All sterling standing to the credit of the Sterling Account 1941 shall be applied in or towards repayment of the Treasury subscription.

- (c) If and so far as necessary all sterling standing to the credit of the Sterling Account 1939 and Sterling Income Account 1939 shall be applied in or towards repayment of the Treasury subscription.
- (d) In so far as the sterling standing to the credit of the Sterling Income Account 1941, the Sterling Account 1941, the Sterling Account 1939 and the Sterling Income Account 1939 is insufficient to repay the Treasury subscription in full China and the Bank shall pay the amount of the deficiency to the Treasury in London in sterling.
- (e) In the event of China and the Bank or either of them failing to pay the amount of the deficiency as aforesaid, the Board shall, if the Treasury so request, sell for sterling any Chinese legal tender money standing to the credit of the Chinese Yuan Accounts 1941 and, if necessary, of the Chinese Dollar Accounts 1939 and the sterling proceeds of such sale shall be applied in or towards repayment of the Treasury subscription.
- (f) Any Chinese legal tender money standing to the credit of the Chinese Yuan Accounts 1941 on the date when the Treasury subscription has been repaid in full shall be transferred to the Chinese Dollar Accounts 1939 and any sterling standing to the credit of the Sterling Income Account 1941 and the Sterling Account 1941 on that date shall be transferred to the Sterling Income Account 1939 and the Sterling Account 1939 respectively and the sums so transferred shall be dealt with in accordance with the provisions of the 1939 Agreement.
- (2) IN the event of the Treasury giving notice under the foregoing sub-clause (1) no payments transfers or withdrawals from the Sterling Account 1939 and the Sterling Account 1941 shall be made except with the consent of the Treasury.

13. CHINA and the Treasury on behalf of His Majesty's Government in the United Kingdom hereby concur in the renewal of the 1939 Agreement until a date not less than seven days after the expiration of notice of repayment

given by the Treasury under clause 12 hereof.

14. ANY notice given by the Treasury to China, the Bank or the Board may be given by the Treasury to the Bank at its head office in China or any other place indicated by the Bank, to China at the Office of the Minister of Finance of China at the seat of the National Government of China or to the Chinese Embassy in London, and to the Board at such address as may be indicated by China or the Board.
15. ANY obligation of the Treasury pursuant to this Agreement shall be conditional and dependant upon the prior performance by China, the Bank and the Board of any obligations to be performed or liabilities to be discharged by them or any of them under this Agreement and any arrangements made pursuant thereto.
16. CHINA and the Bank and the Officers signing this Agreement on behalf of China and the Bank each for itself or themselves represent and agree that the execution and delivery of this Agreement by such Officers on behalf of China and the Bank have in all respects been duly authorised and that all other legal formalities which should have been performed and completed prior to the making of this Agreement in order to make this Agreement binding and effective upon China and the Bank have been performed and completed as required by and in conformity with the laws, decrees, statutes and regulations affecting China and the Bank.
17. THIS Agreement shall be governed by the law of England.
- I N W I T N E S S whereof His Excellency T.V. Soong authorised plenipotentiary of the National Government of the

Republic of China, Kan Lee authorised representative of the Central Bank of China, and Sir Frederick Phillips Third Secretary of His Majesty's Treasury have set their respective hands and seals.

SIGNED SEALED AND DELIVERED

by His Excellency T. V. Soong
authorised plenipotentiary of
the National Government of the
Republic of China in the
presence of :

Deson Sze

Chinese Embassy,
Washington.

Tse Vung Soong

L. S.

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by Kan Lee authorised represen-
tative of the Central Bank of
China in the presence of :

Deson Sze

Chinese Embassy,
Washington.

Kan Lee

L. S.

SIGNED SEALED AND DELIVERED

by Sir Frederick Phillips Third
Secretary of His Majesty's
Treasury in the presence of:

E. W. Playfair

H. M. Treasury
London.

F. Phillips

L. S.