

DOCUMENT OF INTERNATIONAL MONETARY FUND
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**FOR
AGENDA**

EBS/72/264

CONFIDENTIAL

August 15, 1972

To: Members of the Executive Board

From: The Secretary

Subject: United Kingdom - Certain Non-Metropolitan Areas -
Exchange Systems

The attached memorandum is circulated for consideration by the Executive Directors at the meeting of the Executive Board scheduled for Wednesday morning, August 16, 1972.

Att: (1)

CONFIDENTIAL

INTERNATIONAL MONETARY FUND

United Kingdom - Certain Non-Metropolitan Areas -
Exchange Systems

Prepared by the European Department

(In consultation with the Legal, Research, Exchange and
Trade Relations, and Treasurer's Departments)

Approved by Albin Pfeifer

August 15, 1972

In a memorandum from the Executive Director for the United Kingdom dated August 11, 1972 (attached), the Government of the United Kingdom has informed the Managing Director that following its decision to allow the pound sterling to float, the Governments of Antigua, Dominica, Gibraltar, Grenada, Montserrat, St. Christopher-Nevis-Anguilla, St. Lucia, and St. Vincent have decided to maintain for the present the existing relationship between their currencies and the pound sterling and thus to let their currencies float temporarily vis-à-vis other currencies. In addition, the following U.K. non-metropolitan territories use the currencies indicated, which are being allowed to float temporarily vis-à-vis other currencies: British Indian Ocean Territory (Mauritius rupee), St. Helena and Dependencies (pound sterling), and Turks and Caicos Islands (Jamaican dollar). The U.K. Government has further advised the Fund that, as soon as circumstances permit, it is intended to return to the observance of margins around the parities of these currencies consistent with the decisions of the Fund.

Staff Appraisal and Recommended Decision

Commercial and financial links between Antigua, Dominica, Gibraltar, Grenada, Montserrat, St. Christopher-Nevis-Anguilla, St. Lucia, and St. Vincent, on the one hand, and the United Kingdom, on the other, are very close. The United Kingdom is a major market for the exports of these territories and a major source of their imports of goods and capital. In addition, the monetary systems of these territories are closely linked to that of the United Kingdom.

In the absence of a decision by the above-mentioned non-metropolitan territories to allow their currencies to float with sterling, their export earnings could have been seriously diminished. What is more, there would have been the danger that, with sterling floating downward, funds now held in these territories would have been shifted to London for fear that an alignment of the rates would be made in any case at some later time. Such shifts could have provoked serious disruptions in their financial systems.

For British Indian Ocean Territory, St. Helena and Dependencies, and Turks and Caicos Islands, which also maintain close links with the United Kingdom, there is the consideration that the currencies in use in these territories are already being allowed to float.

In view of the foregoing, the following decision is submitted for the consideration of the Executive Board:

1. The Government of the United Kingdom has informed the Fund that the following non-metropolitan territories, in respect of which it has accepted the Articles of Agreement in accordance with Article XX, Section 2(g), have decided that, for the time being, the relationship between their currencies and the pound sterling is to be maintained:

Antigua
Dominica
Gibraltar
Grenada
Montserrat
St. Christopher-Nevis-Anguilla
St. Lucia
St. Vincent

As a result, the currencies of these territories are being allowed to float with sterling.

2. The Government of the United Kingdom has further informed the Fund that the following non-metropolitan territories use the currencies indicated, which are being allowed to float temporarily vis-à-vis other currencies:

British Indian Ocean Territory (Mauritius rupee)
St. Helena and Dependencies (pound sterling)
Turks and Caicos Islands (Jamaican dollar)

3. The Fund has been advised by the Government of the United Kingdom that, as soon as circumstances permit, it is intended to return to the observance of margins around the parities

of these currencies consistent with decisions of the Fund.

The Government of the United Kingdom has expressed its willingness to collaborate with the Fund under Article IV, Section 4(a).

4. The Fund notes the circumstances that have led to the actions described in paragraphs 1 and 2 above. The Fund welcomes the intention of the Government of the United Kingdom, which has accepted the Articles of Agreement in respect of these territories, to collaborate with the Fund under the Articles of Agreement and the intention that margins around parity consistent with the decisions of the Fund will be resumed as soon as circumstances permit. In the consultations with the authorities of the United Kingdom with respect to sterling (Executive Board Decision No. 3696-(72/65), adopted June 30, 1972), the Fund will also consult, in respect of these territories, on the resumption of observance of margins that are consistent with the decisions of the Fund.

The Managing Director

11th August 1972

P. J. Bull

U.K. Non-Metropolitan Territories

I have been asked by my authorities to give you the following additional information on exchange practices in non-metropolitan territories in respect of which the United Kingdom has accepted the Fund's Articles of Agreement.

2. Following the decision of the Government of the United Kingdom temporarily to allow the pound sterling to float, the Governments of the following territories have decided to maintain for the present the existing relationship between their currencies and the pound sterling and thus to let their currencies float temporarily vis-à-vis other currencies -

Antigua
Dominica
Gibraltar
Grenada
Montserrat
St. Christopher-Nevis-Anguilla
St. Lucia
St. Vincent

3. In addition, the following territories use the currencies indicated, which are being allowed to float temporarily vis-à-vis other currencies -

British Indian Ocean Territory: Mauritius rupee
St. Helena and Dependencies: pound sterling
Turks and Caicos Islands: Jamaican dollar

4. As soon as circumstances permit, it is intended to return to the observance of margins around the parities of these currencies consistent with decisions of the Fund. To this end, the Government of the United Kingdom will continue to collaborate with the Fund under Article IV, Section 4(a).

5. The Brunei dollar is now pegged on the US dollar.

6. There has been no change in exchange practices in the following territories, which continue to use the currencies indicated -

British Solomon Islands Protectorate: Australian and
New Zealand
dollars
British Virgin Islands: US dollar
Gilbert and Ellice Islands Colony: Australian dollar

New Hebrides:	Australian dollar and New Hebrides franc
Pitcairn Islands:	Australian and New Zealand dollars

7. Information on exchange practices in Seychelles will be passed to you as soon as it is available.