30TH NOVEMBER, 1945.

CABINET

BRETON WOODS AGREEMENTS BILL.

Memorandum by the Chancellor of the Exchequer

As my colleagues know, we should, if the financial negotiations with the United States Government reach a successful conclusion, be prepared to recommend to Parliament that this country should become a Member of the International Monetary Fund and the International Bank for Reconstruction and Development, in accordance with the Bretton Woods Agreements.

Repeated pledges have been given to Parliament that there would be an opportunity for a Debate on the Bretton Woods Agreements. It is, therefore, proposed to put down a Resolution covering the results of the financial and commercial negotiations, and the Bretton Woods Agreements.

In addition a short Bill is required, to empower His Majesty's Government to pay the subscriptions to the Bank and the Fund, and to carry out certain other obligations under the Agreements. This must be passed before the House rises, in order that we may be in a position before 31st December, the last date for adherence, to sign the Agreements and to give the necessary assurances that His Majesty's Government has all the powers needed to carry them into effect.

The text of the Bill, together with the covering Explanatory and Financial Memorandum, is circulated herewith.

I ask approval for its introduction at the earliest possible moment after the successful conclusion of the financial and commercial negotiations in Washington.

H.D.

Treasury Chambers, S.W.1.

30TH NOVEMBER, 1945.
EXPLANATORY AND FINANCIAL MEMORANDUM.

The purpose of this Bill is to enable effect to be given to the Bretton Woods Agreements if His Majesty's Government in the United Kingdom decide to sign them (see Cmd. 6546 of 1944).

Clause 2 (1) provides for the payment of subscriptions to the Fund of approximately £325 million, and to the Bank of the same amount. The Bank Agreement provides that, of the latter amount, only 20 per cent., say £65 million, can be called up in the first instance. Clause 2 (1) also covers sums payable in certain contingencies, namely, a decline in the value of sterling held by the Fund or the Bank, the failure or default of the depository designated by His Majesty's Government to hold assets in the United Kingdom of the Fund, and any payments arising on liquidation or withdrawal. These payments are to be made out of the Consolidated Fund, and the Treasury are authorised to borrow for that purpose.

Under clause 2 (2), all exchange operations between the United Kingdom and the International Monetary Fund will be carried out through the Exchange Equalisation Account, and any charges arising out of these transactions will be borne by that Account. Subject to this, any receipts from the Fund or the Bank are payable into the Exchequer. These cannot be estimated.

Under clause 2 (4), the Treasury may create the non-interest-bearing and non-negotiable notes, etc., in which, under the Agreements, the Fund or the Bank may temporarily invest any surplus sterling in their hands.

Clause 3 and the Schedule effect the non-financial changes in the law required by the Agreements. These relate principally to the immunities and privileges which it is prescribed that the Fund, the Bank and their staffs should enjoy in the territories of Members.

Original membership involves signature of the two Agreements before 31st December, 1945, and signature must be accompanied by the deposit of an instrument setting out that His Majesty's Government "has accepted this Agreement in accordance with its law and has taken all steps necessary to enable it to carry out all of its obligations under this Agreement." (See Article XX of the Fund Agreement and Article XI of the Bank Agreement.) In both cases, His Majesty's Government in the United Kingdom, if they sign the Agreements, will accept
their provisions "both on their own behalf and in respect of all their colonies, overseas territories, all territories under their protection, suzerainty or authority, and all territories in respect of which they exercise a mandate," i.e. on behalf of the whole Commonwealth except Canada, Australia, New Zealand, South Africa and India, who are entitled to be Members in their own right, and Eire, who was not a party to the Bretton Woods Conference. Accordingly, under clause 3 (2), effect is given to the provisions in the Schedule throughout the whole Commonwealth, with the exceptions above indicated, unless in particular cases local legislation is forthcoming. The financial obligations in regard to subscriptions, etc., concern the United Kingdom only, and no direct financial liabilities are imposed by the Bill on any Government other than His Majesty's Government in the United Kingdom.
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Enable effect to be given to certain international agreements for the establishment and operation of an International Monetary Fund and an International Bank for Reconstruction and Development, and for purposes connected with the matters aforesaid.

WHEREAS, at the United Nations Monetary and Financial Conference held at Bretton Woods in New Hampshire in the United States of America in July, nineteen hundred and forty-four, Articles of the following agreements were drawn up, that is to say—

(a) an agreement (hereafter in this Act referred to as "the Fund Agreement") for the establishment and operation of an international body to be called the International Monetary Fund (hereafter in this Act referred to as "the Fund"); and

(b) an agreement (hereafter in this Act referred to as "the Bank Agreement") for the establishment and operation of an international body to be called the International Bank for Reconstruction and Development (hereafter in this Act referred to as "the Bank").

And whereas a copy of the final Act of the said Conference, including, amongst other things, the text of the Articles of the said agreements, was laid before Parliament by command of His Majesty in August of the said year:

Now, therefore, be it enacted by the King's most Excellent Majesty, by and with the advice and consent of the Lords Spiritual and Temporal, and Commons, in this present Parliament assembled, and by the authority of the same, as follows:

1. If the said agreements are signed on behalf of His Majesty's Government in the United Kingdom, the provisions of the two next following sections shall have effect.
2.—(1) There shall be paid out of the Consolidated Fund of the
United Kingdom or the growing produce thereof all sums required
for the purpose of paying—
(a) the subscriptions payable to the Fund under paragraph (a)
of section 3 of Article III of the Fund Agreement;
(b) any sums payable to the Fund under paragraph (b) of
section 8 of Article IV of the Fund Agreement (which
relates to changes in the par or foreign exchange value
of currencies of members);
(c) any sums required for implementing the guarantee
required by section 3 of Article XIII of the Fund Agree­
ment, that is to say, a guarantee of the assets of the
Fund against loss resulting from failure or default of
the depository designated by His Majesty’s Government
in the United Kingdom under the said Article;
(d) any compensation required to be paid to the Fund or
to any member thereof under Schedule D of the Fund
Agreement (which relates to the withdrawal of members
from the Fund) or under Schedule E thereof (which
relates to the liquidation of the Fund);
(e) the subscriptions payable to the Bank under paragraph
(a) of section 3 of Article II of the Bank Agreement, or
any sums payable to the Bank under section 9 of that
Article (which relates to changes in the par or foreign
exchange value of currencies of members);
and the Treasury may, for the purpose of providing any sums
to be paid out of the Consolidated Fund as aforesaid, raise money
in any manner in which they are authorised to raise money
under the National Loans Act, 1939, and any securities created
and issued for that purpose shall be deemed for all purposes to
have been created and issued under that Act.

(2) Any sums received by His Majesty’s Government in the
United Kingdom from the Fund or the Bank (other than sums
received by reason of the operations of the Exchange Equalisation
Account) shall be paid into the Exchequer of the United Kingdom,
and, without prejudice to the generality of the enactments
relating to the Exchange Equalisation Account, all sums required
by His Majesty’s Government in the United Kingdom for the
purpose of paying any charges payable to the Fund under
section 8 of Article V of the Fund Agreement shall be paid out of
the Exchange Equalisation Account.

(3) The sums paid into the Exchequer under the last preceding
subsection shall be paid out of the Consolidated Fund of the
United Kingdom at such times as the Treasury may direct and
shall be applied by the Treasury as follows—
(a) so much thereof as represents principal shall be applied
in redeeming or paying off debt of such description as
the Treasury think fit;
(b) so much thereof as represents interest shall be applied to the payment of interest which would, apart from this paragraph, have fallen to be paid out of the permanent annual charge for the National Debt.

5. (4) The Treasury may, if they think fit so to do, create and issue to the Fund or the Bank, in such form as they think fit, any such non-interest-bearing and non-negotiable notes or other obligations as are provided for by section 5 of Article III of the Fund Agreement and section 12 of Article V of the Bank Agreement, and the sums payable under any such notes or other obligations so created and issued shall be charged on the Consolidated Fund of the United Kingdom or the growing produce thereof.

3. (1) To enable the Fund and the Bank to fulfil the functions with which they are respectively entrusted, the provisions of the Fund Agreement and the Bank Agreement set out in the Schedule to this Act shall have the force of law, and the Treasury may make such regulations, if any, as they think fit for carrying the said provisions into effect:

Provided that nothing in section 9 of Article IX of the Fund Agreement or in section 9 of Article VII of the Bank Agreement shall be construed as—

(a) entitling the Fund or the Bank to import goods free of customs duty without any restriction on their subsequent sale in the country to which they were imported;

or

(b) confer on the Fund or the Bank any exemption from duties or taxes which form part of the price of goods sold;

(c) confer on the Fund or the Bank any exemption from taxes or duties which are in fact no more than charges for services rendered.

(2) The provisions of the preceding subsection shall extend to all parts of His Majesty's dominions (other than Dominions within the meaning of the Statute of Westminster, 1931, territories administered by the Government of any such Dominion and British India) and, to the extent that His Majesty has jurisdiction therein, to all other territories in which His Majesty has from time to time jurisdiction (other than territories in respect of which a mandate from the League of Nations is being exercised by, or which are being administered by, the Government of such a Dominion as aforesaid and territories in India) and any reference in the provisions set out in the Schedule to this Act to the territories of any member shall be construed as including a reference
to any part of His Majesty's dominions or other territory to which the provisions of the said subsection extend:

Provided that—

(a) if, whether before or after the passing of this Act, provision is made by any authority having power to make laws for any part of His Majesty's dominions or other territory for carrying into effect the provisions set out in the Schedule to this Act, the provisions of this subsection shall not apply to the said part of His Majesty's dominions or other territory as respects any period as respects which the provision so made has effect; and

(b) the power conferred by the preceding subsection on the Treasury shall, outside the United Kingdom, be exercisable by any authority having power to make laws for the part of His Majesty's dominions or other territory in question.

(3) Nothing in this Act shall be construed as limiting the power of His Majesty under section one of the Diplomatic Privileges (Extension) Act, 1944, to declare the Fund or the Bank to be such an organisation as is mentioned in subsection (1) of that section or any power of His Majesty under that Act or any other Act to confer on the Fund or the Bank, or their officers or servants or on any other persons connected with them, any immunities or privileges not specified in the provisions set out in the Schedule to this Act.

4. This Act may be cited as the Bretton Woods Agreements Act, 1945.
SCHEDULE.

PROVISIONS OF AGREEMENTS WHICH ARE TO HAVE FORCE OF LAW.

PART I.

FUND AGREEMENT.

Article VIII, section 2 (b).

Exchange contracts which involve the currency of any member and which are contrary to the exchange control regulations of that member maintained or imposed consistently with this Agreement shall be unenforceable in the territories of any member.

Article IX.

STATUS, IMMUNITIES AND PRIVILEGES.

Section 2. Status of the Fund.

The Fund shall possess full juridical personality, and, in particular, the capacity:

(i) to contract;

(ii) to acquire and dispose of immovable and movable property;

(iii) to institute legal proceedings.

Section 3. Immunity from judicial process.

The Fund, its property and its assets, wherever located and by whomsoever held, shall enjoy immunity from every form of judicial process except to the extent that it expressly waives its immunity for the purpose of any proceedings or by the terms of any contract.

Section 4. Immunity from other action.

Property and assets of the Fund, wherever located and by whomsoever held, shall be immune from search, requisition, confiscation, expropriation or any other form of seizure by executive or legislative action.

Section 5. Immunity of archives.

The archives of the Fund shall be inviolable.

Section 6. Freedom of assets from restrictions.

To the extent necessary to carry out the operations provided for in this Agreement, all property and assets of the Fund shall be free from restrictions, regulations, controls and moratoria of any nature.
A.D. 1945

Section 7. Privilege for communications.
The official communications of the Fund shall be accorded by members the same treatment as the official communications of other members.

Section 8. Immunities and privileges of officers and employees.
All governors, executive directors, alternates, officers and employees of the Fund
(i) shall be immune from legal process with respect to acts performed by them in their official capacity except when the Fund waives this immunity.

Section 9. Immunities from taxation.
(a) The Fund, its assets, property, income and its operations and transactions authorized by this Agreement, shall be immune from all taxation and from all customs duties. The Fund shall also be immune from liability for the collection or payment of any tax or duty.

(b) No tax shall be levied on or in respect of salaries and emoluments paid by the Fund to executive directors, alternates, officers or employees of the Fund who are not local citizens, local subjects, or other local nationals.

(c) No taxation of any kind shall be levied on any obligation or security issued by the Fund, including any dividend or interest thereon, by whomsoever held
(i) which discriminates against such obligation or security solely because of its origin;

(ii) if the sole jurisdictional basis for such taxation is the place or currency in which it is issued, made payable or paid, or the location of any office or place of business maintained by the Fund.

PART II.
BANK AGREEMENT.

Article VII.
STATUS, IMMUNITIES AND PRIVILEGES.

Section 2. Status of the Bank.
The Bank shall possess full juridical personality, and, in particular, the capacity:
(i) to contract;
(ii) to acquire and dispose of immovable and movable property;
(iii) to institute legal proceedings.
Section 3. **Position of the Bank with regard to judicial process.**

Actions may be brought against the Bank only in a court of competent jurisdiction in the territories of a member in which the Bank has an office, has appointed an agent for the purpose of accepting service or notice of process, or has issued or guaranteed securities. No actions shall, however, be brought by members or persons acting for or deriving claims from members. The property and assets of the Bank shall, wheresoever located and by whomsoever held, be immune from all forms of seizure, attachment or execution before the delivery of final judgment against the Bank.

Section 4. **Immunity of assets from seizure.**

Property and assets of the Bank, wherever located and by whomsoever held, shall be immune from search, requisition, confiscation, expropriation or any other form of seizure by executive or legislative action.

Section 5. **Immunity of archives.**

The archives of the Bank shall be inviolable.

Section 6. **Freedom of assets from restrictions.**

To the extent necessary to carry out the operations provided for in this Agreement and subject to the provisions of this Agreement, all property and assets of the Bank shall be free from restrictions, regulations, controls and moratoria of any nature.

Section 7. **Privilege for communications.**

The official communications of the Bank shall be accorded by each member the same treatment that it accords to the official communications of other members.

Section 8. **Immunities and privileges of officers and employees.**

All governors, executive directors, alternates, officers and employees of the Bank

(i) shall be immune from legal process with respect to acts performed by them in their official capacity except when the Bank waives this immunity . . .

Section 9. **Immunities from taxation.**

(a) The Bank, its assets, property, income and its operations and transactions authorised by this Agreement, shall be immune from all taxation and from all customs duties. The Bank shall also be immune from liability for the collection or payment of any tax or duty.

(b) No tax shall be levied on or in respect of salaries and emoluments paid by the Bank to executive directors, alternates, officials or employees of the Bank who are not local citizens, local subjects, or other local nationals.

(c) No taxation of any kind shall be levied on any obligation or security issued by the Bank (including any dividend or interest thereon) by whomsoever held—

(i) which discriminates against such obligation or security solely because it is issued by the Bank ; or
(ii) if the sole jurisdictional basis for such taxation is the place of issuance, made payable or paid, or the location of any office or place of business maintained by the Bank.

(d) No taxation of any kind shall be levied on any obligation or security guaranteed by the Bank (including any dividend or interest thereon) by whomsoever held—

(i) which discriminates against such obligation or security solely because it is guaranteed by the Bank; or

(ii) if the sole jurisdictional basis for such taxation is the location of any office or place of business maintained by the Bank.

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Bretton Woods Agreements.

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To enable effect to be given to certain international agreements for the establishment and operation of an International Monetary Fund and an International Bank for Reconstruction and Development, and for purposes connected with the matters aforesaid.

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30th November, 1945.