

RESTRICTED
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GENERAL AGREEMENT ON TARIFFS AND TRADE
COMMITTEE OF THE CONTRACTING PARTIES ON SPECIAL EXCHANGE
AGREEMENTS

This document contains two drafts, A and B, of a Special Exchange Agreement to serve as the basis for discussion at the meeting of the Committee which is to be held in London commencing November 1, 1948. These drafts are the same as those appearing in GATT/CEA/W.1 after having been revised to serve the purposes of the Contracting Parties. The third column on the following pages contains the provisions of the Articles of Agreement of the International Monetary Fund which correspond to the articles and paragraphs in the two drafts.

SPECIAL EXCHANGE AGREEMENT
Draft A

The contracting parties to the General Agreement on Tariffs and Trade acting in joint capacity (hereafter called the CONTRACTING PARTIES), represented by their Chairman, and Country X (hereafter called the Member), represented by.....

Considering that paragraph 6 of Article XV of the General Agreement on Tariffs and Trade (hereafter called the General Agreement) provides that any contracting party which is not a member of the International Monetary Fund (hereafter called the Fund) shall, within a time to be determined by the CONTRACTING PARTIES after consultation with the Fund, become a member of the Fund, or, failing that, enter into a special exchange agreement with the CONTRACTING PARTIES:

Considering that paragraph 4 of Article XV of the General Agreement provides that contracting parties shall not, by exchange action, frustrate the intent of the provisions of the General Agreement:

Agree as follows:

Article I - Exchange Stability and Orderly Exchange Arrangements

The Member undertakes to cooperate with the CONTRACTING PARTIES in order to promote exchange stability, to maintain orderly exchange arrangements among the contracting parties and to avoid competitive exchange alterations.

SPECIAL EXCHANGE AGREEMENT
Draft B

Preamble

The Government of Country X and the CONTRACTING PARTIES to the General Agreement on Tariffs and Trade,

BEING DESIROUS of entering into a special exchange agreement pursuant to Article XV of the General Agreement,

HEREBY AGREE as follows:

Paragraph 1 - Purposes

The purposes of this Agreement are

(a) to establish a stable relationship between the currency of Country X and the currencies of the other contracting parties to the General Agreement on Tariffs and Trade which are members of the International Monetary Fund or have concluded special exchange agreements with the CONTRACTING PARTIES;

(b) to avoid competitive exchange depreciation;

(c) to assist in the establishment of a multilateral system of payments in respect of current transactions; and

(d) to eliminate exchange restrictions which hamper the growth of world trade.

ARTICLES OF AGREEMENT OF THE INTERNATIONAL MONETARY FUND - 2 -

Extract of Corresponding Provisions

Article I. Purposes

The purposes of the International Monetary Fund are:

- (i) To promote international monetary cooperation through a permanent institution which provides the machinery for consultation and collaboration on international monetary problems.
- (ii) To facilitate the expansion and balanced growth of international trade, and to contribute thereby to the promotion and maintenance of high levels of employment and real income and to the development of the productive resources of all members as primary objectives of economic policy.
- (iii) To promote exchange stability, to maintain orderly exchange arrangements among members, and to avoid competitive exchange depreciation.
- (iv) To assist in the establishment of a multilateral system of payments in respect of current transactions between members and in the elimination of foreign exchange restrictions which hamper the growth of world trade.
- (v) To give confidence to members by making the Fund's resources available to them under adequate safeguards, thus providing them with opportunity to correct maladjustments in their balance of payments without resorting to measures destructive of national or international prosperity.
- (vi) In accordance with the above, to shorten the duration and lessen the degree of disequilibrium in the international balances of payments of members.

The Fund shall be guided in all its decisions by the purposes set forth in this Article.

SPECIAL EXCHANGE AGREEMENT
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Article II - Expression of Par Value

1. The present par value of the Member's currency expressed in terms of gold and in terms of United States dollars of the weight and fineness in effect on July 1, 1944¹ is the following: 1/

X = gold

X = U.S. dollars

2. The CONTRACTING PARTIES will keep the Member currently informed on the par values of the currencies of the other contracting parties.

1/ If the Special Exchange Agreement covers also separate currencies in territories under the authority of the Member, the Agreement will be adjusted accordingly.

Article III - Gold Transactions Based on Par Values

The Member shall not buy gold at a price above par value plus the margin permissible under this Article, or sell gold at a price below par value minus the margin permissible under this Article. This margin above and below par value shall be as prescribed by the Fund for its members for such transactions under paragraph 2 of Article IV of the Articles of Agreement of the International Monetary Fund. The CONTRACTING PARTIES will inform the Member on the margins for gold transactions prescribed by the Fund.

SPECIAL EXCHANGE AGREEMENT
Draft B

Paragraph 2 - Par Value of Currency

(a) The par value of the currency of Country X shall be expressed in terms of gold or in terms of the United States dollar of the weight and fineness in effect on July 1, 1944.

(b) Country X shall communicate to the CONTRACTING PARTIES, within.... days of the signature of this Agreement, the par value of its currency based on the rate of exchange prevailing on the sixtieth day before the entry into force of this Agreement. Country X shall simultaneously communicate a value, in terms of its currency, for each separate currency, where such exists, in the territories in respect of which it has accepted this Agreement under Paragraph 19.

(c) The par value communicated by Country X shall be the par value of its currency for the purposes of this Agreement unless within days of such communication (i) Country X notifies the CONTRACTING PARTIES that it regards the par value as unsatisfactory, or (ii) the CONTRACTING PARTIES notify Country X that in their opinion the par value cannot be maintained without prejudice to the provisions and purposes of this Agreement and to contracting parties. When notification is given under (i) or (ii), the CONTRACTING PARTIES and Country X shall, within a period determined by the CONTRACTING PARTIES in the light of all relevant circumstances, agree upon a suitable par value for the currency of Country X.

Paragraph 3 - Gold Transactions based on Par Value

The CONTRACTING PARTIES shall prescribe a margin above and below the par value for transactions in gold. Country X shall not buy gold at a price above the par value plus the prescribed margin, or sell gold at a price below the par value minus the prescribed margin.

ARTICLES OF AGREEMENT OF THE INTERNATIONAL MONETARY FUND
Extract of Corresponding Provisions

Art. IV. SEC. 1. Expression of Par Values

(a) The par value of the currency of each member shall be expressed in terms of gold as a common denominator or in terms of the United States dollar of the weight and fineness in effect on July 1, 1944.

Article XX. SEC. 4. Initial Determination of Par Values

(a) When the Fund is of the opinion that it will shortly be in a position to begin exchange transactions, it shall so notify the members and shall request each member to communicate within thirty days the par value of its currency based on the rates of exchange prevailing on the sixtieth day before the entry into force of this Agreement.

(g) A member communicating to the Fund a par value for the currency of its metropolitan territory shall simultaneously communicate a value, in terms of that currency, for each separate currency, where such exists, in the territories in respect of which it has accepted this Agreement under Section 2(g) of this Article.

(b) The par value communicated by a member whose metropolitan territory has not been occupied by the enemy shall be the par value of that member's currency for the purposes of this Agreement unless, within ninety days after the request referred to in (a) above has been received, (i) the member notifies the Fund that it regards the par value as unsatisfactory, or (ii) the Fund notifies the member that in its opinion the par value cannot be maintained without causing recourse to the Fund on the part of that member or others on a scale prejudicial to the Fund and to members. When notification is given under (i) or (ii) above, the Fund and the member shall, within a period determined by the Fund in the light of all relevant circumstances, agree upon a suitable par value for that currency. If the Fund and the member do not agree within the period so determined, the member shall be deemed to have withdrawn from the Fund on the date when the period expires.

Article IV. SEC. 2. Gold Purchases Based on Par Values

The Fund shall prescribe a margin above and below par value for transactions in gold by members, and no member shall buy gold at a price above par value plus the prescribed margin, or sell gold at a price below par value minus the prescribed margin.

SPECIAL EXCHANGE AGREEMENT
Draft 1

Article IV - Foreign Exchange Dealings Based on Parity

The maximum and the minimum rates for exchange transactions between the currency of the Member and the currencies of other contracting parties taking place within the Member's territories shall not differ from parity:

- (i) in case of spot (TT) transactions, by more than 1%, and
- (ii) in case of other exchange transactions, by a margin which exceeds the margin for spot exchange transactions by more than the CONTRACTING PARTIES, after consultation with the Fund, consider reasonable.

Article V - Obligations Regarding Exchange Stability

The Member undertakes not to permit within its territory exchange transactions between its currency and the currencies of other contracting parties at rates which exceed the limits prescribed /indicated/ in Article IV of this Agreement. In the monetary authorities of the Member, in fact, freely buy and sell gold for the settlement of international transactions within the limits prescribed in Article III of this Agreement, the Member shall be deemed to be fulfilling this undertaking.

Article VI - Changes in Par Value

The par value of the Member's currency may be changed only on the proposal of the Member and the Member shall not propose a change in the par value except to correct a fundamental disequilibrium and after consultation with the CONTRACTING PARTIES, subject to the following additional conditions:

(a) If such change together with all other changes effected since the entry into force of this Agreement, whether increases or decreases, does not exceed 10% of the par value, the CONTRACTING PARTIES shall raise no objection to the change;

(b) If the change does not exceed a further ten per cent of the par value, the CONTRACTING PARTIES may either concur or object, but shall declare their attitude withinif the member so requests;

SPECIAL EXCHANGE AGREEMENT
Draft B

Paragraph 4 - Foreign Exchange Dealings based on Parity

The maximum and the minimum rates for exchange transactions between the currency of Country X and the currencies of other contracting parties (which are members of the Fund or have concluded special exchange agreements with the CONTRACTING PARTIES) taking place within their territories, shall not differ from parity

- (i) in the case of spot exchange transactions, by more than 1%; and
- (ii) in the case of other exchange transactions, by a margin which exceeds the margin for spot exchange transactions by more than the CONTRACTING PARTIES consider reasonable.

Paragraph 5 - Obligations regarding Exchange Stability

(a) Country X undertakes to collaborate with the CONTRACTING PARTIES to promote exchange stability, to maintain orderly exchange arrangements with other contracting parties, and to avoid competitive exchange alterations.

(b) Country X undertakes, through appropriate measures consistent with this Agreement, to permit within its territories exchange transactions between its currency and the currencies of other contracting parties (which are members of the Fund or have concluded special exchange agreements with the CONTRACTING PARTIES) only within the limits prescribed under Paragraph 4. In the event that the monetary authorities of Country X, for the settlement of international transactions, freely buy and sell gold within the limits prescribed by the CONTRACTING PARTIES under Paragraph 3, Country X shall be deemed to be fulfilling this undertaking.

Paragraph 6 - Changes in Par Value

(a) Country X shall not propose a change in the par value of its currency except to correct a fundamental disequilibrium.

(b) A change in the par value of the currency of Country X may be made only on the proposal of Country X and only after consultation with the CONTRACTING PARTIES.

(c) When a change is proposed, the CONTRACTING PARTIES shall first take into account the changes, if any, which have already taken place in the initial par value of the currency of Country X as determined under Paragraph 2(c). In the proposed change, together with all previous changes, whether increases or decreases,

- (i) does not exceed 10% of the initial par value, the CONTRACTING PARTIES shall raise no objection;
- (ii) does not exceed a further 10% of the initial par value, the CONTRACTING PARTIES may either concur or object, but shall declare their attitude within hours if Country X so requests;

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Extract of Corresponding Provisions

Article IV SEC. 3. Foreign Exchange Dealings Based on Parity

The maximum and the minimum rates for exchange transactions between the currencies of members taking place within their territories shall not differ from parity.

- (i) in the case of spot exchange transactions, by more than one percent; and
- (ii) in the case of other exchange transactions, by a margin which exceeds the margin for spot exchange transactions by more than the Fund considers reasonable.

Article IV. SEC. 4. Obligations Regarding Exchange Stability

(a) Each member undertakes to collaborate with the Fund to promote exchange stability, to maintain orderly exchange arrangements with other members, and to avoid competitive exchange alterations.

(b) Each member undertakes, through appropriate measures consistent with this Agreement, to permit within its territories exchange transactions between its currency and the currencies of other members only within the limits prescribed under Section 3 of this Article. A member whose monetary authorities, for the settlement of international transactions, in fact freely buy and sell gold within the limits prescribed by the Fund under Section 2 of this Article shall be deemed to be fulfilling this undertaking.

Article IV. SEC. 5. Changes in Par Values

(a) A member shall not propose a change in the par value of its currency except to correct a fundamental disequilibrium.

(b) A change in the par value of a member's currency may be made only on the proposal of the member and only after consultation with the Fund.

(c) When a change is proposed, the Fund shall first take into account the changes, if any, which have already taken place in the initial par value of the member's currency as determined under Article XX, Section 4. If the proposed change, together with all previous changes, whether increases or decreases,

- (i) does not exceed ten percent of the initial par value, the Fund shall raise no objection;
- (ii) does not exceed a further ten percent of the initial par value, the Fund may either concur or object, but shall declare its attitude within seventy-two hours if the member so requests;

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(c) If the change is not within (a) or (b) above, the CONTRACTING PARTIES may either concur or object, but shall be entitled to a longer period in which to declare their attitude. If the CONTRACTING PARTIES object to a change they shall communicate to the Member the reasons for their objection.

(d) The CONTRACTING PARTIES shall concur in a change of the par value if they are satisfied that the change is necessary to correct a fundamental disequilibrium. In particular, provided they are so satisfied, they shall not object to a proposed change because of the domestic, social or political policies of the member proposing the change;

(e) If the Fund decides, in accordance with Article IV, Section 7 of the Articles of Agreement of the International Monetary Fund, uniform proportionate changes in the par values of the currencies of Fund members, the Member will change its par value proportionately, unless it informs the CONTRACTING PARTIES within seventy-two hours after it has been notified by the CONTRACTING PARTIES of the Fund's action that it does not wish the par value of its currency to be changed.

(f) In determining whether changes in par value fall within the limits mentioned in Sections (a), (b) and (c) of this Article, uniform changes in par value under Section (e) of this Article shall not be taken into account.

Article VII - Avoidance of Restrictions on Current Payments

1. Except as otherwise provided in this Agreement the Member shall not impose restrictions on the making of payments and transfers for current international transactions without express prior approval of the CONTRACTING PARTIES.

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Draft B

(iii) is not within (i) or (ii), the CONTRACTING PARTIES may either concur or object, but shall be entitled to a longer period in which to declare their attitude.

(f) The CONTRACTING PARTIES shall concur in a proposed change which is within the terms of (ii) or (iii) of sub-paragraph (c), if they are satisfied that the change is necessary to correct a fundamental disequilibrium. In particular, provided they are so satisfied, they shall not object to a proposed change because of the domestic, social or political policies of Country X.

Paragraph 7 - Uniform Changes in Par Values

In the event that a uniform proportionate change in the par values of the currencies of members of the Fund is made under Section 7 of Article IV of the Articles of Agreement of the Fund, Country X may change the par value of its currency in the same proportion provided it so notifies the CONTRACTING PARTIES within days of the Fund's action.

Paragraph 6 - Changes in Par Value

(d) A change in the par value made under Paragraph 7 shall not be taken into account in determining whether a proposed change falls within (i), (ii) or (iii) of sub-paragraph (c).

(e) Country X may change the par value of its currency without the concurrence of the CONTRACTING PARTIES if the change does not affect the international transactions of contracting parties.

Paragraph 8 - Separate Currencies Within the Territory of Country X

In the event that Country X proposes a change in the par value of its currency, it shall be deemed, unless it declares otherwise, to be proposing a corresponding change in the par value of the separate currencies of all territories in respect of which it has accepted this Agreement under Paragraph 19. It shall, however, be open to Country X to declare that its proposal relates either to the metropolitan currency alone, or only to one or more specified separate currencies, or to the metropolitan currency and one or more specified separate currencies.

Paragraph 9 - Avoidance of Restrictions on Current Payments

(a) Subject to the provisions of Paragraphs 11 (a) and 13 (a), Country X shall not, except with the approval of the CONTRACTING PARTIES, impose restrictions on the making of payments and transfers for current international transactions.

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Extract of Corresponding Provisions

(iii) is not within (i) or (ii) above, the Fund may either concur or object, but shall be entitled to a longer period in which to declare its attitude.

(f) The Fund shall concur in a proposed change which is within the terms of (c) (ii) or (c) (iii) above if it is satisfied that the change is necessary to correct a fundamental disequilibrium. In particular, provided it is so satisfied, it shall not object to a proposed change because of the domestic, social or political policies of the member proposing the change.

SEC. 7. Uniform Changes in Par Values

Notwithstanding the provisions of Section 5 (b) of this Article, the Fund by a majority of the total voting power may make uniform proportionate changes in the par values of the currencies of all members, provided each such change is approved by every member which has ten percent or more of the total of the quotas. The par value of a member's currency shall, however, not be changed under this provision if, within seventy-two hours of the Fund's action, the member informs the Fund that it does not wish the par value of its currency to be changed by such action.

SEC. 5. Changes in Par Values

(d) Uniform changes in par values made under Section 7 of this Article shall not be taken into account in determining whether a proposed change falls within (i), (ii), or (iii) of (c) above.

(e) A member may change the par value of its currency without the concurrence of the Fund if the change does not affect the international transactions of members of the Fund.

SEC. 9. Separate Currencies within a Member's Territories

A member proposing a change in the par value of its currency shall be deemed, unless it declares otherwise, to be proposing a corresponding change in the par value of the separate currencies of all territories in respect of which it has accepted this Agreement under Article XX, Section 2 (g). It shall, however, be open to a member to declare that its proposal relates either to the metropolitan currency alone, or only to one or more specified separate currencies, or to the metropolitan currency and one or more specified separate currencies.

Article VIII. SEC. 2. Avoidance of Restrictions on Current Payments

(a) Subject to the provisions of Article VII, Section 3 (b), and Article XIV, Section 2, no member, shall, without the approval of the Fund, impose restrictions on the making of payments and transfers for current international transactions.

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2. The Member may exercise such controls as are necessary to regulate international capital movements, but the Member shall not exercise these controls in a manner which will restrict payments for current transactions or which will unduly delay transfers of funds in settlement of commitments subject to the provisions of Article VIII (1) (2) and (3) and Article X of this Agreement.^{2/}

3. The Member shall not engage in or permit any of its fiscal agencies to engage in any discriminatory currency arrangements or multiple currency practices except as authorized under this Agreement or approved by the CONTRACTING PARTIES.

4. The Member agrees not to enforce in its territories exchange contracts which involve the currency of any other contracting party and which are contrary to the exchange control regulations of that contracting party maintained or imposed consistently with the Articles of Agreement of the International Monetary Fund or a Special Exchange Agreement. In addition, the Member may, by mutual accord with another contracting party, cooperate in measures for the purpose of making the exchange control regulations of either contracting party more effective, provided that such measures and regulations are consistent with the Articles of Agreement of the International Monetary Fund or a Special Exchange Agreement.

5. Payments for current transactions in this Agreement means payments which are not for the purpose of transferring capital, and includes, without limitation:

- (a) All payments due in connection with foreign trade, other current business, including services, and normal short-term banking and credit facilities;
- (b) Payments due as interest on loans and as net income from other investments;

^{2/}Alternative for Article VII, Section 2: "The Member may exercise such controls as are necessary to regulate international capital movements, but the Member shall not exercise these controls in a manner which will restrict or unduly delay payments and transfers for current transactions."

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Paragraph 12 - Controls of Capital Transfers

Country X may exercise such controls as are necessary to regulate international capital movements, but may not exercise these controls in a manner which will restrict payments for current transactions or which will unduly delay transfers of funds in settlement of commitments, except as provided in Paragraphs 11(a) and 13(a).

Paragraph 10 - Avoidance of Discriminatory Currency Practices

Country X shall not engage in, or permit any fiscal agent acting on its behalf to engage in, any discriminatory currency arrangements or multiple currency practices except as authorized under this Agreement or approved by the CONTRACTING PARTIES. If such arrangements and practices are engaged in at the date when this Agreement enters into force Country X shall consult with the CONTRACTING PARTIES as to their progressive removal unless they are maintained or imposed under Paragraph 11(a), in which case the provisions of Paragraph 11(c) shall apply.

Paragraph 9

(b) Exchange contracts, which involve the currency of Country X and which are contrary to its exchange control regulations maintained or imposed consistently with this Agreement, shall be unenforceable in the territories of any contracting party which is a member of the Fund or has concluded a special exchange agreement with the CONTRACTING PARTIES. In addition, any such contracting party may, by mutual accord, cooperate with Country X in measures for the purpose of making the exchange control regulations of either contracting party more effective, provided that such measures and regulations are consistent with this Agreement.

Paragraph 18 - Explanation of Terms

In interpreting the provisions of this Agreement, the CONTRACTING PARTIES shall be guided by the explanation of terms contained in Article XIX of the Articles of Agreement of the Fund.

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Extract of Corresponding Provisions

Article VI. SEC. 3. Controls of capital transfers

Members may exercise such controls as are necessary to regulate international capital movements, but no member may exercise these controls in a manner which will restrict payments for current transactions or which will unduly delay transfers of funds in settlement of commitments, except as provided in Article VII, Section 3 (b); and in Article XIV, Section 2.

Article VIII. SEC. 3. Avoidance of Discriminatory Currency Practices

No member shall engage in, or permit any of its fiscal agencies referred to in Article V, Section 1, to engage in, any discriminatory currency arrangements or multiple currency practices except as authorized under this Agreement or approved by the Fund. If such arrangements and practices are engaged in at the date when this Agreement enters into force, the member concerned shall consult with the Fund as to their progressive removal unless they are maintained or imposed under Article XIV, Section 2, in which case the provisions of Section 4 of that Article shall apply.

Article VIII. SEC 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. In addition, members may, by mutual accord, cooperate in measures for the purpose of making the exchange control regulations of either member more effective, provided that such measures and regulations are consistent with this Agreement.

Article XIX. Explanation of Terms

In interpreting the provisions of this Agreement the Fund and its members shall be guided by the following:

(i) Payments for current transactions means payments which are not for the purpose of transferring capital, and includes, without limitation:

- (1) All payments due in connection with foreign trade, other current business, including services, and normal short-term banking and credit facilities;

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- (e) Payments of moderate amount for amortization of loans or for depreciation of direct investments.
 - (b) Moderate remittance for family living expenses.
6. The CONTRACTING PARTIES may, at their own initiative or at the request of the Member, after consultation with the Fund and the Member, determine whether certain specific transactions are to be considered current transactions or capital transactions.

Article VIII - Scarce Currency

1. The Member is authorized to impose temporarily, after consultation with the CONTRACTING PARTIES, limitations on the freedom of exchange operations in a currency which has formally been declared scarce by the Fund in accordance with Article VII, Section 3 (a) of the Articles of Agreement of the International Monetary Fund.

2. Subject to the provisions of Articles IV and V of this Agreement the Member shall have complete jurisdiction in determining the nature of such limitations.

3. These limitations shall not be more restrictive than is necessary to limit the demand for the scarce currency to the supply held by, or accruing to, the Member. The limitations shall be relaxed and removed as rapidly as conditions permit. The authorization here mentioned shall expire whenever the Fund formally declares the currency in question to be no longer scarce.

4. If the Member is imposing limitations in accordance with Section 1 of this Article it shall give sympathetic consideration to any representations by any other contracting party regarding the administration of such restrictions.

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Paragraph 13 - Scarce Currencies

(a) A declaration by the Fund, under Article VII, Section 3 (a) of the Articles of Agreement of the Fund, that a currency is scarce shall operate as an authorization to Country X, after consultation with the CONTRACTING PARTIES, to impose temporarily limitations on the freedom of exchange operations in the scarce currency. Subject to the provisions of Paragraphs 4 and 5, Country X shall have complete jurisdiction in determining the nature of such limitations, but they shall be no more restrictive than is necessary to limit the demand for the scarce currency to the supply held by, or accruing to, Country X; and they shall be relaxed and removed as rapidly as conditions permit.

(b) Any authorization under sub-paragraph (a) shall expire whenever the Fund formally declares the currency in question to be no longer scarce.

(c) In the event that Country X imposes restrictions in respect of the currency of any other contracting party pursuant to the provisions of sub-paragraph (a), Country X shall give sympathetic consideration to any representations by that other contracting party regarding the administration of such restrictions.

(d) The contracting parties shall not invoke the obligations of any engagement entered into with Country X prior to this Agreement in such a manner as will prevent the operation of the provisions of this paragraph.

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- (2) Payments due as interest on loans and as net income from other investments;
- (3) Payments of moderate amount for amortization of loans or for depreciation of direct investments;
- (4) Moderate remittances for family living expenses.

The Fund may, after consultation with the members concerned, determine whether certain specific transactions are to be considered current transactions or capital transactions.

Article VII. Scarce Currencies

SEC. 3. Scarcity of the Fund's Holdings

(a) If it becomes evident to the Fund that the demand for a member's currency seriously threatens the Fund's ability to supply that currency, the Fund, whether or not it has issued a report under Section 1 of this Article, shall formally declare such currency scarce and shall thenceforth apportion its existing and accruing supply of the scarce currency with due regard to the relative needs of members, the general international economic situation, and any other pertinent considerations. The Fund shall also issue a report concerning its action.

(b) A formal declaration under (a) above shall operate as an authorization to any member, after consultation with the Fund, temporarily to impose limitations on the freedom of exchange operations in the scarce currency. Subject to the provisions of Article IV, Sections 3 and 4, the member shall have complete jurisdiction in determining the nature of such limitations, but they shall be no more restrictive than is necessary to limit the demand for the scarce currency to the supply held by, or accruing to, the member in question; and they shall be relaxed and removed as rapidly as conditions permit.

(c) The authorization under (b) above shall expire whenever the Fund formally declares the currency in question to be no longer scarce.

SEC. 4. Administration of restrictions.--Any member imposing restrictions in respect of the currency of any other member pursuant to the provisions of Section 3 (b) of this Article shall give sympathetic consideration to any representations by the other member regarding the administration of such restrictions.

SEC. 5. Effect of other international agreements on restrictions.--Members agree not to invoke the obligations of any engagements entered into with other members prior to this Agreement in such a manner as will prevent the operation of the provisions of this Article.

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Article IX - Convertibility of Balances Held by Other Contracting Parties

1. The Member shall buy balances of its currency held by another contracting party if the latter in requesting the purchase represents:
 - (a) that the balances to be bought have been recently acquired as a result of current transactions, or
 - (b) that their conversion is needed for making payments for current transactions.
2. The Member shall have the option to pay either in the currency of the contracting party making the request or in gold.
3. The obligations under Section 1 of this Article shall not apply insofar as the Member has restricted convertibility of such balances consistently with Article VII (1) and (2), and Article VIII (1) of this Agreement, or when the balances have accumulated as a result of transactions effected before the Member removed the transitional arrangements maintained under Article X of this Agreement, or when the balances have been acquired contrary to the exchange control regulations of the Member, or when the currency of the contracting party requesting the purchase has been declared by the Fund scarce under Article VII, Section 3 (a) of the Articles of Agreement of the International Monetary Fund.

Article X - Transitional Arrangements

1. In the post-war transitional period the Member may, notwithstanding the provisions of any other articles of this Agreement, maintain and adapt to changing circumstances [and introduce where necessary^{3/}] re-

^{3/} In a special exchange agreement concluded with a contracting party whose territory has been occupied by the enemy the passage in brackets may be inserted.

SPECIAL EXCHANGE AGREEMENT
Part B

Paragraph 11 - Transitional Period

(a) In the transitional period following the close of the Second World War, Country X may, notwithstanding the provisions of any other paragraph of this Agreement, maintain and adapt to changing circumstances restrictions on payments and transfers for current international transactions. Country X shall, however, have continuous regard in its foreign exchange policies to the purposes of this Agreement; and, as soon as conditions permit, it shall take all possible measures to develop such commercial and financial arrangements with other contracting parties as will facilitate international payments and the maintenance of exchange stability. In particular, Country X shall withdraw restrictions maintained or imposed under this paragraph as soon as it is satisfied that it will be able, in the absence of such restrictions, to maintain a position of equilibrium in its balance of payments.

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Article VIII. SEC.4. Convertibility of foreign-held balances.

(a) Each member shall buy balances of its currency held by another member if the latter, in requesting the purchase, represents

- (i) that the balances to be bought have been recently acquired as a result of current transactions; or
- (ii) that their conversion is needed for making payments for current transactions.

The buying member shall have the option to pay either in the currency of the member making the request or in gold.

- (b) The obligation in (a) above shall not apply
 - (i) when the convertibility of the balances has been restricted consistently with Section 2 of this Article, or Article VI, Section 3; or
 - (ii) when the balances have accumulated as a result of transactions effected before the removal by a member of restrictions maintained or imposed under Article XIV, Section 2; or
 - (iii) when the balances have been acquired contrary to the exchange regulations of the member which is asked to buy them; or
 - (iv) when the currency of the member requesting the purchase has been declared scarce under Article VII, Section 3 (a); or
 - (v) when the member requested to make the purchase is for any reason not entitled to buy currencies of other members from the Fund for its own currency.

Article XIV. Transitional Period

SEC.2. Exchange restrictions.--In the post-war transitional period members may, notwithstanding the provisions of any other articles of this Agreement, maintain and adapt to changing circumstances (and, in the case of members whose territories have been occupied by the enemy, introduce where necessary) restrictions on payments and transfers for current international transactions. Members shall, however, have continuous regard in their foreign exchange policies to the purposes of the Fund; and, as soon as conditions permit, they shall take all possible measures to develop such commercial and financial arrangements with other members as will facilitate international payments and the maintenance of exchange stability. In particular, members shall withdraw restrictions maintained or imposed under this Section as soon as they are satisfied that they will be able, in the absence of such restrictions, to settle their balance of payments in a manner which will not unduly encumber their access to the resources of the Fund.

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restrictions on payments and transfers for current international transactions.^{4/} The Member shall, however, have continuous regard in its foreign exchange policies to the purposes of the General Agreement and of this Agreement, and as soon as conditions permit, it shall take all possible measures to develop such commercial and financial arrangements with other contracting parties which will facilitate international payments and the maintenance of exchange stability. If the Member still retains these transitional arrangements on or after March 1, 1952, it shall consult at that time and annually thereafter with the CONTRACTING PARTIES as to their further retention.

2. The CONTRACTING PARTIES may, if they deem such action necessary in exceptional circumstances, make representations to the Member that conditions are favorable for the withdrawal of any particular exchange restriction, or for the general abandonment of exchange restrictions inconsistent with the provisions of any other article of this Agreement or the General Agreement. The Member shall be given a suitable time to reply to such representations. If the CONTRACTING PARTIES find^{5/} that the Member persists in maintaining exchange restrictions contrary to its obligations under this Agreement or the General Agreement, the provision of Article XIV, section 3 of this Agreement shall apply.

3. The Member shall notify the CONTRACTING PARTIES as soon as it is prepared to remove all exchange restrictions maintained under this Article.

4/ Alternative for the first sentence of Article X: "During the post-war transitional period the Member may institute, maintain or intensify restrictions on the making of payments and transfers for current international transactions to the extent necessary (i) to forestall the imminent threat of, or to stop, a serious decline in its monetary reserves, or (ii) if the Member has very low monetary reserves, to achieve a reasonable rate of increase in its reserves. Due regard shall be paid in either case to any special factors which may be affecting the Member's reserves or need for reserves, including, where special external credits or other resources are available to it, the need to provide for the appropriate use of such credits or resources." (This wording corresponds with Article XII (2) (a) of the GATT).

5/ The findings of the CONTRACTING PARTIES will be based on the determination of the Fund as to whether the Member's action is in accordance with the terms of the Special Exchange Agreement pursuant to Article XV (c) of the GATT.

Article XI - Communication of Views to Contracting Parties

The CONTRACTING PARTIES shall at all times have the right to communicate their views informally to the Member on any matter arising under this Agreement.

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(b) Country X shall notify the CONTRACTING PARTIES, within days of the entry into force of this Agreement, whether it intends to avail itself of the transitional arrangements in sub-paragraph (a), or whether it is prepared to accept the obligations of Paragraphs 9 and 10. In the event that Country X avails itself of the transitional arrangements under sub-paragraph (a), it shall notify the CONTRACTING PARTIES as soon as it is prepared to accept the above-mentioned obligations of Paragraphs 9 and 10.

(c) Not later than March 1, 1950, and in each year thereafter, Country X shall report to the CONTRACTING PARTIES on the restrictions still in force under sub-paragraph (a). Not later than March 1, 1952, and in each year thereafter, if Country X still retains any restrictions inconsistent with Paragraphs 9 and 10, it shall consult with the CONTRACTING PARTIES as to their further retention. The CONTRACTING PARTIES may, if they deem such action necessary in exceptional circumstances, make representations to Country X that conditions are favourable for the withdrawal of any particular restriction, or for the general abandonment of restrictions, inconsistent with the provisions of any other paragraph of this Agreement. Country X shall be given a suitable time to reply to such representations. If the CONTRACTING PARTIES find that Country X persists in maintaining restrictions which are inconsistent with the purposes of this Agreement, Country X shall, within sixty days, limit or terminate such restrictions as the CONTRACTING PARTIES may specify.

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SEC.3. Notification to the Fund.--Each member shall notify the Fund before it becomes eligible under Article XX, Section 4(c) or (a), to buy currency from the Fund, whether it intends to avail itself of the transitional arrangements in Section 2 of this Article, or whether it is prepared to accept the obligations of Article VIII, Sections 2, 3, and 4. A member availing itself of the transitional arrangements shall notify the Fund as soon thereafter as it is prepared to accept the above-mentioned obligations.

SEC.4. Action of the Fund relating to restrictions.--Not later than three years after the date on which the Fund begins operations and in each year thereafter, the Fund shall report on the restrictions still in force under Section 2 of this Article. Five years after the date on which the Fund begins operations, and in each year thereafter, any member still retaining any restrictions inconsistent with Article VIII, Sections 2, 3, or 4, shall consult the Fund as to their further retention. The Fund may, if it deems such action necessary in exceptional circumstances, make representations to any member that conditions are favorable for the withdrawal of any particular restriction, or for the general abandonment of restrictions, inconsistent with the provisions of any other article of this Agreement. The member shall be given a suitable time to reply to such representations. If the Fund finds that the member persists in maintaining restrictions which are inconsistent with the purposes of the Fund, the member shall be subject to Article XV, Section 2(a).

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Article XII - Furnishing of Information

1. The Member shall within the general scope of Article VIII, Section 5 of the Articles of Agreement of the International Monetary Fund, furnish the CONTRACTING PARTIES with such information as the CONTRACTING PARTIES deem necessary for the application of this agreement and the General Agreement, including, as a minimum, national data on the following matters:

- (i) Official holdings at home and abroad, of (1) gold, (2) foreign exchange.
- (ii) Holdings, at home and abroad, by banking and financial agencies, other than official agencies, of (1) gold, (2) foreign exchange.
- (iii) Production of Gold.
- (iv) Gold exports and imports according to countries of destination and origin.
- (v) Total exports and imports of merchandise, in terms of local currency values, according to countries of destination and origin.
- (vi) International balance of payments, including (1) trade in goods and services, (2) gold transactions, (3) known capital transactions, and (4) other items.
- (vii) International investment position, i.e., investments within the territories of the Member owned abroad and investments abroad owned by persons in its territories so far as it is possible to furnish this information.
- (viii) National income.
- (ix) Price indices, i.e., indices of commodity prices in wholesale and retail markets and of export and import prices.
- (x) Buying and selling rates for foreign currencies.
- (xi) Exchange controls, i.e., a comprehensive statement of the exchange regulations in effect vis-a-vis contracting parties and non-contracting parties and details of subsequent changes as they occur.
- (xii) Where official clearing arrangements exist, details for amounts awaiting clearance in respect of commercial and financial transactions, and of the length of time during which such arrears have been outstanding. ^{6/}

2. In requesting such information the CONTRACTING PARTIES shall take into consideration the particular circumstances of the Member. The Member shall be under no obligation to furnish information in such detail that the affairs of individuals or corporations are disclosed. The Member undertakes, however, to furnish the desired information in as detailed and accurate a manner as it is practicable and, so far as possible, to avoid mere estimates.

6/ Alternative for Article XII, Section 1: "The Member shall furnish such information within the general scope of Section 5 of Article VIII of the Articles of Agreement of the International Monetary Fund as the CONTRACTING PARTIES may require in order to carry out their functions under the General Agreement. The CONTRACTING PARTIES will transmit such information to the Fund to facilitate the exercise of those functions which are assigned to the Fund in connection with the application of this Special Exchange Agreement and the General Agreement."

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Paragraph 17 - Furnishing of Information

(17) Country X shall furnish the CONTRACTING PARTIES with such information as they may require in order to carry out their functions under the General Agreement on Tariffs and Trade, including national data on the following matters:

- (i) Official holdings at home and abroad of (1) gold, (2) foreign exchange;
- (ii) Holdings at home and abroad by banking and financial agencies, other than official agencies, of (1) gold, (2) foreign exchange.
- (iii) Production of gold;
- (iv) Gold exports and imports according to countries of destination and origin;
- (v) Total exports and imports of merchandise, in terms of local currency values, according to countries of destination and origin;
- (vi) International balance of payments, including (1) trade in goods and services, (2) gold transactions, (3) known capital transactions, and (4) other items;
- (vii) International investment position, i.e. investments within the territories of Country X owned abroad and investments abroad owned by persons in the territories of Country X, so far as it is possible to furnish this information;
- (viii) National income;
- (ix) Price indices, i.e. indices of commodity prices in wholesale and retail markets and of export and import prices;
- (x) Buying and selling rates for foreign currencies;
- (xi) Exchange controls, i.e. a comprehensive statement of exchange controls in effect at the date when this Agreement enters into force and details of subsequent changes as they occur;
- (xii) Where official clearing arrangements exist, details of amounts awaiting clearance in respect of commercial and financial transactions, and of the length of time during which such arrears have been outstanding.

(18) In requesting information, the CONTRACTING PARTIES shall take into consideration the ability of Country X to furnish the data requested. Country X shall be under no obligation to furnish information in such detail that the affairs of individuals or corporations are disclosed. Country X undertakes, however, to furnish the desired information in as detailed and accurate a manner as is practicable, and, so far as possible, to avoid mere estimates.

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Article VIII. SEC. 2. Furnishing of Information.

(a) The Fund may require members to furnish it with such information as it deems necessary for its operations, including, as the minimum necessary for the effective discharge of the Fund's duties, national data on the following matters:

- (i) Official holdings at home and abroad, of (1) gold, (2) foreign exchange.
- (ii) Holdings at home and abroad by banking and financial agencies, other than official agencies, of (1) gold, (2) foreign exchange.
- (iii) Production of gold.
- (iv) Gold exports and imports according to countries of destination and origin.
- (v) Total exports and imports of merchandise, in terms of local currency values, according to countries of destination and origin.
- (vi) International balance of payments, including (1) trade in goods and services, (2) gold transactions, (3) known capital transactions, and (4) other items.
- (vii) International investment position, i.e., investments within the territories of the member owned abroad and investments abroad owned by persons in its territories so far as it is possible to furnish this information.
- (viii) National income.
- (ix) Price indices, i.e., indices of commodity prices in wholesale and retail markets and of export and import prices.
- (x) Buying and selling rates for foreign currencies.
- (xi) Exchange controls, i.e., a comprehensive statement of exchange controls in effect at the time of assuming membership in the Fund and details of subsequent changes as they occur.
- (xii) Where official clearing arrangements exist, details of amounts awaiting clearance in respect of commercial and financial transactions, and of the length of time during which such arrears have been outstanding.

(b) In requesting information the Fund shall take into consideration the varying ability of members to furnish the data requested. Members shall be under no obligation to furnish information in such detail that the affairs of individuals or corporations are disclosed. Members undertake, however, to furnish the desired information in as detailed and accurate a manner as is practicable, and, so far as possible, to avoid mere estimates.

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Article XIII - Emergency Provisions

The CONTRACTING PARTIES shall suspend the operation of Articles IV and V of this Agreement for the same period of time and to the same extent as the Fund suspends the operation of corresponding provisions of its Articles of Agreement in accordance with Article XVI, Section 1 of the Articles of Agreement of the International Monetary Fund.

Article XIV - Miscellaneous Provisions

1. This special exchange agreement entered into by the Member constitutes a part of its obligations under the General Agreement.

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Paragraph 15 - Relations with Countries which are not Members of the Fund and which have not concluded Special Exchange Agreements with the CONTRACTING PARTIES

(a) In respect of a country which is not a member of the Fund and has not concluded a special exchange agreement with the CONTRACTING PARTIES, and in respect of persons in the territories of such country, Country X undertakes:

- (i) not to engage in, or to permit any fiscal agency acting on its behalf to engage in, any transactions with such country or persons which would be contrary to the provisions or the purposes of this Agreement;
- (ii) not to cooperate with such country or persons in practices which would be contrary to the provisions or the purposes of this Agreement; and
- (iii) to cooperate with the CONTRACTING PARTIES with a view to the application in its territories of appropriate measures to prevent transactions with such country or persons which would be contrary to the provisions or the purposes of this Agreement.

(b) Nothing in this Agreement shall affect the right of Country X to impose restrictions on exchange transactions with a country which is not a member of the Fund and which has not concluded a special exchange agreement with the CONTRACTING PARTIES, or with persons in the territories of such country, unless the CONTRACTING PARTIES find that such restrictions prejudice the interests of contracting parties and are contrary to the provisions or the purposes of this Agreement.

Paragraph 16 - Temporary Suspension

In the event that the Executive Directors of the Fund decide, under Article XVI, Section 1, of the Articles of Agreement of the Fund, to suspend the operation of any of the provisions of Article IV, Sections 3 and 4 (b) of Article XI, Section 1, the corresponding provisions of this Agreement (namely, Paragraphs 4, 5 (b) and 15) shall be suspended in a similar manner and for the same duration of time.

Paragraph 14 - Consultation Regarding Existing International Agreements

where under this Agreement Country X, or another contracting party which is a member of the Fund or has concluded a special exchange agreement with the CONTRACTING PARTIES, is authorized in the special or temporary circumstances specified in this Agreement to maintain or establish restrictions on exchange transactions, and has any other engagement with a contracting party entered into prior to this Agreement which conflicts with the application of such restrictions, the parties to such engagement will consult with one another with a view to making such mutually acceptable adjustments as may be necessary.

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Article XI. Relations with Non-member Countries

SECTION 1. Undertakings regarding relations with non-member countries.--Each member undertakes:

- (i) Not to engage in, nor to permit any of its fiscal agencies referred to in Article V, Section 1, to engage in, any transactions with a non-member or with persons in a non-member's territories which would be contrary to the provisions of this Agreement or the purposes of the Fund;
- (ii) Not to cooperate with a non-member or with persons in a non-member's territories in practices which would be contrary to the provisions of this Agreement or the purposes of the Fund; and
- (iii) To cooperate with the Fund with a view to the application in its territories of appropriate measures to prevent transactions with non-members or with persons in their territories which would be contrary to the provisions of this Agreement or the purposes of the Fund.

SEC.2. Restrictions on transactions with non-member countries.--Nothing in this Agreement shall affect the right of any member to impose restrictions on exchange transactions with non-members or with persons in their territories unless the Fund finds that such restrictions prejudice the interests of members and are contrary to the purposes of the Fund.

Article XVI. Emergency Provisions

SECTION 1. Temporary suspension.--(a) In the event of an emergency or the development of unforeseen circumstances threatening the operations of the Fund, the Executive Directors by unanimous vote may suspend for a period of not more than one hundred twenty days the operation of any of the following provisions:

- (i) Article IV, Sections 3 and 4 (b).
- (ii) Article V, Sections 2, 3, 7, 8 (a) and (f).
- (iii) Article VI, Section 2.
- (iv) Article XI, Section 1.

Article VIII. SEC.6. Consultation between members regarding existing international agreements.

Where under this Agreement a member is authorized in the special or temporary circumstances specified in the Agreement to maintain or establish restrictions on exchange transactions, and there are other engagements between members entered into prior to this Agreement which conflict with the application of such restrictions, the parties to such engagements will consult with one another with a view to making such mutually acceptable adjustments as may be necessary. The provisions of this Article shall be without prejudice to the operation of Article VII, Section 5.

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2. The Member shall designate a fiscal agency which shall be in communication with the CONTRACTING PARTIES on the exchange matters forming the subject of this Agreement.
 3. Whenever in the opinion of the CONTRACTING PARTIES the Member fails to observe any of the provisions of this Agreement, the CONTRACTING PARTIES shall make representations to the Member. The Member shall be given reasonable time to reply to such representations. If the Member persists in failing to observe this Agreement the CONTRACTING PARTIES may formally declare that the Member violated this Agreement and its obligations under the General Agreement. Any unauthorized change of the Member's par value would constitute such a failure.
 4. This Agreement shall enter into force upon signature (at the date of the signature) by the duly authorized representatives of the Member and the CONTRACTING PARTIES. One signed copy of the English (French) version of this Agreement shall be deposited with the Chairman of the CONTRACTING PARTIES and another copy with the Foreign Minister of
 5. This Agreement shall terminate, if and when the Member enters the Fund or withdraws from the CONTRACTING PARTIES. Changes in this Agreement may, at any time, be suggested by the Member or the CONTRACTING PARTIES; such changes will become effective as soon as agreed upon by both parties.
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Paragraph 19 - Territorial Application

By its signature of this Agreement, Country X accepts it both on its own behalf and in respect of all its colonies, overseas territories, all territories under its protection, suzerainty or authority and all trust territories of which it is the administering authority.

Paragraph 21 - Entry into Force

This Agreement shall enter into force on the day on which it has been signed by the representatives of the Government of Country X and of the CONTRACTING PARTIES.

Paragraph 20 - Amendments

(a) In the event that the Articles of Agreement of the Fund are amended, the CONTRACTING PARTIES shall consult with Country X to determine whether this Agreement requires consequent amendment.

(b) Country X may at any time submit a proposal to introduce modifications in this Agreement and such proposals shall be discussed at the next meeting of the CONTRACTING PARTIES.

Paragraph 22 - Termination

In the event that the Board of Governors of the Fund decide to liquidate the Fund, under Section 2 (b) of Article XVI of the Articles of Agreement of the Fund, all obligations under this Agreement shall cease.

ARTICLES OF AGREEMENT OF THE INTERNATIONAL MONETARY FUND
Extract of Corresponding Provisions

Article V. SECTION 1. Agencies dealing with the Fund.

Each member shall deal with the Fund only through its Treasury, central bank, stabilization fund, or other similar fiscal agency and the Fund shall deal only with or through the same agencies.

Article XX. SEC.2. Signature.

(a) By their signature on this Agreement, all governments accept it 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.

Article XII. Amendments

(a) Any proposal to introduce modifications in this Agreement, whether emanating from a member, a governor or the Executive Directors, shall be communicated to the chairman of the Board of Governors who shall bring the proposal before the Board. If the proposed amendment is approved by the Board the Fund shall, by circular letter or telegram, ask all members whether they accept the proposed amendment. When three-fifths of the members, having four-fifths of the total voting power, have accepted the proposed amendment, the Fund shall certify the fact by a formal communication addressed to all members.

Article XVI. SEC.2. Liquidation of the Fund.

(b) If the Board of Governors decides to liquidate the Fund, the Fund shall forthwith cease to engage in any activities except those incidental to the orderly collection and liquidation of its assets and the settlement of its liabilities, and all obligations of members under this Agreement shall cease except those set out in this Article, in Article XVIII, paragraph (c), in Schedule D, paragraph 7, and in Schedule E.
