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ECONOMIC COMMISSION FOR AFRICA  
ASSOCIATION OF AFRICAN CENTRAL BANKS

Fifth West African Subregional Committee Meeting  
of the Association of African Central Banks

Lagos, 13 - 14 March 1975

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AGREEMENT CONCERNING THE ESTABLISHMENT  
OF THE WEST AFRICAN CLEARING HOUSE

Article I

Definitions

In this Agreement, unless the context otherwise requires:

"Agreement" means the West African Clearing House Agreement;

"Bank" and "Banks" mean a Central Bank or Banks which is or are members of the Clearing House;

"Clearing House" means the Clearing House established under Article II of this Agreement;

"Committee" means the Exchange and Clearing Committee established under Article IV of this Agreement;

"Convertible currency mutually agreed upon" means convertible currency mutually agreed upon in accordance with rules made by the Committee.

"Executive Secretary" means the Executive Secretary of the West African Clearing House.

Article II

Establishment and objective

1. There is hereby established by this Agreement the Clearing House for the multilateral settlement of payments amongst the Central Banks of the West African Subregion.

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2. The objectives of the Clearing House shall be:

- (a) to promote the use of the currencies of the members of the Clearing House for subregional trade and other transactions;
- (b) to bring about economies in the use of the foreign reserves of the members of the Clearing House;
- (c) to encourage the members of the Clearing House to liberalize trade among their respective countries; and
- (d) to promote monetary co-operation and consultation among the members of the Clearing House.

### Article III

#### Membership

Membership of the Clearing House shall be open to all Central Banks within the West African Subregion as defined by the Statutes of the Association of African Central Banks.

### Article IV

#### Exchange and Clearing Committee - composition, functions and powers

1. There is hereby established the Exchange and Clearing Committee which shall be composed of the Governors of the Banks.
2. A Governor shall appoint not more than three persons from his Bank as his alternates and any one of them may represent him on the Committee.
3. The provisions of this Agreement and the Clearing House established by this Agreement shall be implemented and managed by the Committee in accordance with the provisions of this Agreement.
4. The Committee shall:
  - (a) determine the headquarters of the Clearing House;
  - (b) subject to the provisions of this Agreement, determine those transactions which shall be excluded from the clearing arrangements provided for under this Agreement;

- (c) determine from time to time the method for calculating the limits of the debit or credit for each Bank for the purposes of the clearing arrangements provided for under this Agreement;
- (d) determine the steps to be taken to achieve the objectives of this Agreement;
- (e) appoint and dismiss the Executive Secretary of the Clearing House;
- (f) appoint a Sub-Committee which shall meet every three months and, subject to any directions of a general nature that the Committee may give, supervise the activities of services performed and the functions provided by the Clearing House;
- (g) subject to the provisions of this Agreement, determine its own rules of procedure and without prejudice to the generality of the foregoing, make regulations generally with respect to the services performed and functions provided by the Clearing House;
- (h) determine the interest rates to be charged on deferred payments under the clearing arrangements provided for under this Agreement;
- (i) examine and approve the budget and accounts of the Clearing House;
- (j) determine the par value of the West African Unit of Accounts;
- (k) make rules governing payments under this Agreement and a list of convertible currencies for the purposes of this Agreement;
- (l) submit an annual report on the services performed and functions provided by the Clearing House and audited accounts to the West African Subregional Committee of the Association of African Central Bank not later than three months after the end of each financial year; and
- (m) do all such other things as may be necessary or desirable for the achievement of the objectives of this Agreement.

#### Article V

##### Chairman of the Exchange and Clearing Committee and its meeting

1. The office of Chairman of the Committee shall rotate annually among the Governors of the Banks.
2. The Committee shall meet in ordinary session at least once every year.

3. Extraordinary sessions of the Committee shall be convened by the Chairman of the Committee at the request of any Bank or of the Executive Secretary of the Clearing House.

4. Every question which comes before the Committee at any meeting, other than those relating to sub-paragraphs (a), (c), (e), (f), (g), (h), (j) and (k) of paragraph 4 of Article IV of this Agreement and any amendments to this Agreement which shall be decided by the unanimous votes of all the members of the Committee, shall be decided by a majority of votes of the members of the Committee.

5. The Executive Secretary of the Clearing House shall attend all meetings of the Committee but shall have no vote thereat.

#### Article VI

##### The Executive Secretary

The Executive Secretary of the Clearing House shall be the principal executive officer of the Clearing House and shall co-ordinate and supervise the services performed and functions provided by the Clearing House.

#### Article VII

##### Unit of Account, parity and guarantees

1. All transactions carried out through the Clearing House shall be expressed in units of West African Units of Accounts the par value of which, shall be determined by the Committee, and such par value shall determine the conversion rate of national currencies in accordance with the parity which each Bank may from time to time declare with the Clearing House:

Provided however that such parity shall at all times be identical with that declared with the International Monetary Fund.

2. Where in the opinion of the Committee, prevailing conditions make it impossible to apply a fixed parity in the defining of the unit of account, prevailing market rates shall be applied.

3. Each Bank shall inform the Clearing House and other Banks daily by cablegramme or telex, of the day's closing exchange rate between its national currency and that of one or more of the convertible currencies listed by the Committee under the provisions of sub-paragraph (k) of paragraph 4 of Article IV of this Agreement.

4. Any alteration in the parity of a currency declared by a Bank in accordance with the provisions of paragraph 1 of this Article shall be communicated immediately by such Bank to the Clearing House and the other Banks to enable corresponding adjustments to be made to the exchange value of such currency.
5. Each Bank guarantees to the other Banks the conversion of its currency into West African Units of Account at the parity or exchange rate in accordance with the provisions of paragraph 1 of this Article.
6. Each Bank guarantees to the other Banks the conversion of its currency into West African Units of Account at the parity or exchange rate declared in accordance with the provisions of paragraph 1 of this Article, for remittances in transit or orders for collection at the date of the issue or the conclusion of a contract relating to such remittances or orders as the case may be.

#### Article VIII

##### Credits, transactions and exceptions

1. Each Bank shall allow each month to the other Banks as a whole an interim credit line of an amount equivalent to twenty per cent of its country's total annual visible trade, that is to say, imports and exports, calculated on the basis of the annual average of total visible subregional trade with the countries of the other Banks taken collectively for the latest three year period for which trade figures are available. The debit line allocated to each member Bank shall not exceed ten per cent of its total annual visible subregional trade as defined above. This method of calculating these credit and debit lines for each Bank will be subjected to review and revision by the Committee, if necessary, at the end of twelve months from the date of commencement of operation of the Clearing House.
2. A Bank may on its own initiative increase the amount of the monthly interim credit line referred to in paragraph 1 of this Article.
3. This Agreement shall apply to all trade and non-trade transactions between the countries of the Banks except:
  - (a) those otherwise specified by the Committee; and
  - (b) payments with respect to the export from a country of a Bank into the country of another Bank of finished products originating in a country whose Central Bank or Monetary Authority is not a member of the Clearing House.

4. Grants or loans made by the government of a country of a Bank to the government of a country of another Bank may by agreement between the governments concerned, not be channelled through the Clearing House.
5. Payments for transactions between the member countries of the West African Monetary Union shall, so long the common currency issued by the Central Bank of West African States remains the legal tender in such member countries, be exempt from the application of the provisions of this Agreement.
6. Payments for transactions between the Central Bank of Mali and the Central Bank of West African States shall, provided that the two Banks maintain mutually free and unrestricted settlements arrangements, be exempt from the application of the provisions of this Agreement.
7. Advices of transactions carried out between Banks in accordance with the provisions of this Agreement or any rules or regulations made thereunder, shall be communicated immediately to the Clearing House in accordance with rules or regulations made by the Committee for this purpose.
8. The Clearing House shall examine and determine at the end of every week, the net inter-Bank balance of payments position of each Bank within the context of the clearing arrangements established by this Agreement and convey such determination to all the Banks by the quickest possible means.
9. At the end of each calendar month, the Clearing House shall advise by cablegramme or telex, each Bank of its net balance of payments position with the other Banks as a whole and shall request each debtor Bank to make payments to its creditor Bank or Banks in any convertible currency mutually agreed upon by the debtor Bank and the creditor Bank or Banks.
10. A debtor Bank shall make the payments referred to in paragraph 9 of this Article as advised by the Clearing House. Payments shall be made by a debtor Bank within five bank working days from the date of receipt by such debtor Bank of an advice from the Clearing House and such debtor Bank shall advise the Clearing House immediately upon making payments. A creditor Bank shall also advise the Clearing House immediately upon the receipt of payment.
11. If at any time a Bank exceeds its prescribed debit line, it shall be requested by the Clearing House to make immediate payment of the amount in excess of its prescribed debit line to the creditor Bank or Banks indicated by the Clearing House, in such convertible currency as may be mutually agreed upon between the Bank and the creditor Bank or Banks.

12. Notwithstanding the provisions of paragraph 11 of this Article, a Bank may, with the consent of the creditor Bank or Banks, defer payment until the settlement date when payment shall be made in full:

Provided that in such a case, the Bank shall pay interest on the excess referred to in paragraph 11 of this Article for the period of deferment at a rate determined by the Committee in accordance with the prevailing rates in the international money markets.

#### Article IX

##### Provisions in case of default

1. (a) A Bank which fails to make payments in accordance with the provisions of paragraph 10 of Article VIII of this Agreement, or where the provisions of paragraphs 11 and 12 of Article VIII of this Agreement apply fails to make payments immediately or at the end of a settlement period respectively, shall forthwith cease to be allowed any credit facilities by the Clearing House or exercise any voting rights in the Committee, but shall nevertheless continue to channel its revenues from exports and other transactions within the West African subregion through the Clearing House;
  - (b) A Bank which has been deprived of its credit facilities and voting rights under the provisions of sub-paragraph (a) of this paragraph shall thereupon begin negotiations with the Committee as to when and how the amount due from it to the creditor Bank or Banks shall be paid, and if after the expiration of a one month from the beginning of such negotiations, no agreement is reached and the amount due is still unpaid, the Committee shall request the Bank to withdraw from the Clearing House and the Committee shall take appropriate steps to recover the amount still outstanding and unpaid.
2. Where a Bank fails to meet its obligations under paragraph 1 of this Article and where the Committee after taking appropriate action under that paragraph fails to secure payment by the Bank of the amounts in question, any such debt shall be borne by the other Banks in proportion to the value of their credit limits.

#### Article X

##### Cost of operating the Clearing House

The cost of operating the Clearing House shall be shared among the Banks in proportion to the total value of their cleared transactions.

#### Article XI

##### Audit Commission

The Committee shall appoint an Audit Commission which shall audit the transactions and accounts of the Clearing House yearly and submit a report thereon to the Committee.

#### Article XII

##### Withdrawal

1. Any Bank desirous of withdrawing from the Clearing House shall notify in writing the other Banks and the Clearing House.
2. A withdrawal shall take effect 30 days after the date of receipt of its notification to the Clearing House. The Clearing House shall in the meantime determine the net balance of payments position of the withdrawing Bank and advise it and the other Banks accordingly.
3. The net balance of payments positions shall be settled in accordance with the provisions of paragraphs 10 and 11 of Article VIII and paragraph 2 of Article IX of this Agreement.

#### Article XIII

##### Dissolution of the Clearing House

In case of the dissolution of the Clearing House, the Committee shall decide on the terms and conditions of such dissolution.

#### Article XIV

##### Exchange control restrictions

The Banks in whose countries there exist exchange control and other restrictions, shall use their best endeavours to facilitate the adoption of measures necessary for the proper operations of this Agreement. Such measures shall be notified to the Clearing House and other Banks.

Article XV

Amendments

Any amendment to the provisions of this Agreement shall be decided by the unanimous votes of all the Banks.

Article XVI

Status of the Clearing House

1. The Clearing House shall have legal personality to acquire and dispose of moveable and immoveable property, to enter into contracts and to sue and be sued.
2. The acts of the Clearing House shall be signified by the Executive Secretary of the Clearing House.
3. The Executive Secretary of the Clearing House shall enter into an agreement with the government of the country where the headquarters of the Clearing House is situated, on the privileges and immunities in connexion with the Clearing House.

Article XVII

Disputes

Any dispute arising out of the interpretation and application of the provisions of this Agreement shall be settled by the Committee whose decision shall be final and binding on all the Banks.

Article XVIII

Entry into force

This Agreement shall enter into force after it has been signed on behalf of not less than five Central Banks in the West African Subregion.

IN WITNESS WHEREOF the undersigned being duly authorized representatives of their respective Central Banks have signed this Agreement on the dates appearing under their signature.

