



Treaty Series No. 38 (1970)

# Exchange of Letters

between the Government of the  
United Kingdom of Great Britain and Northern Ireland  
and the Government of Lesotho

concerning the Guarantee  
by the United Kingdom and the  
Maintenance of Reserves in Sterling  
by the Government of Lesotho  
(Sterling Area Agreement)

Maseru, 6 January 1970

[The Agreement entered into force on 6 January 1970]

*Presented to Parliament  
by the Secretary of State for Foreign and Commonwealth Affairs  
by Command of Her Majesty  
August 1970*

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**EXCHANGE OF LETTERS**  
**BETWEEN THE GOVERNMENT OF THE UNITED KINGDOM**  
**OF GREAT BRITAIN AND NORTHERN IRELAND AND THE**  
**GOVERNMENT OF LESOTHO CONCERNING THE GUARANTEE**  
**BY THE UNITED KINGDOM AND THE MAINTENANCE OF**  
**RESERVES IN STERLING BY THE GOVERNMENT OF LESOTHO**  
**(STERLING AREA AGREEMENT)**

No. 1

*The United Kingdom High Commissioner at Maseru to  
the Minister of Finance, Commerce and Industry of Lesotho*

*British High Commission,  
Maseru.*

Dear Minister,

6 January, 1970.

I refer to previous correspondence between the Government of the United Kingdom of Great Britain and Northern Ireland and the Government of Lesotho, and record below the points which have been agreed between the two Governments on the Guarantee by the Government of the United Kingdom and related assurances by the Government of Lesotho.

(1) *The Guarantee*

The United Kingdom Government undertake to maintain the sterling value, in terms of the United States dollar of the balances eligible for guarantee, provided that the Lesotho Government undertake for the same period:

- (a) Not to hold assets in any currencies other than sterling and South African rand;
- (b) To limit transfers of sterling assets into South African rand to the amounts required for day-to-day business.

The circumstances in which the guarantee would be implemented and the terms of implementation shall be defined in consultation between the two Governments.

(2) *Balances eligible for guarantee*

The balances eligible for guarantee shall be that part of the sterling reserves which exceeds 10% of the total external reserves, held in the name or on behalf of the Lesotho Government, except that no part of these reserves held in or bearing a right to conversion into either

- (a) Common or ordinary stock and shares and preferred stock and shares on which capital moneys and dividends are payable solely in sterling:  
or
  - (b) Units in Unit Trusts on which, under the terms of issue, capital moneys are payable solely in sterling on liquidation or realisation,
- shall be eligible for guarantee.

(3) *Review*

- (a) The provisions of the Agreement may be reviewed at any time by agreement between both parties.
- (b) The provisions of the Agreement shall be reviewed within six months prior to the 25th of September, 1971.

(4) *Entry into force and duration*

The Agreement shall enter into force on the date of your reply to this Letter in the terms mentioned below and shall remain in force until the 25th of September, 1971, and may be extended for a further two years by agreement between both parties.

2. If the Government of Lesotho agree that the foregoing correctly sets out the points agreed between the two Governments I propose that this letter and your reply to, that effect shall constitute an agreement between the Government of the United Kingdom of Great Britain and Northern Ireland and the Government of Lesotho.

Yours sincerely,

IAN WATT

No. 2

*The Minister of Finance, Commerce and Industry of Lesotho to  
the United Kingdom High Commissioner at Maseru*

*Ministry of Finance, Commerce and Industry,  
Maseru.*

Dear High Commissioner,

6 January, 1970.

I refer to your letter of today's date recording the points which have been agreed between our two Governments on the guarantee by the Government of the United Kingdom and related assurances by the Government of Lesotho which reads as follows:—

[As in No. 1]

2. I confirm that your letter correctly sets out the points agreed between our two Governments and that your letter and this reply shall accordingly constitute an Agreement between the Government of the United Kingdom of Great Britain and Northern Ireland and the Government of Lesotho.

Yours sincerely,

P. N. PEETE

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