



Treaty Series No. 35 (1999)

Exchange of Notes

between the Government of the
United Kingdom of Great Britain and Northern Ireland
and the Government of the Republic of Peru

concerning Certain Commercial Debts
(United Kingdom/Peru Debt Agreement No. 5
(1996))

Lima, 4 November 1996

[The Agreement entered into force on 4 November 1996]

*Presented to Parliament
by the Secretary of State for Foreign and Commonwealth Affairs
by Command of Her Majesty
May 1999*

**EXCHANGE OF NOTES
BETWEEN THE GOVERNMENT OF THE
UNITED KINGDOM OF GREAT BRITAIN AND NORTHERN IRELAND
AND THE GOVERNMENT OF THE REPUBLIC OF PERU
CONCERNING CERTAIN COMMERCIAL DEBTS
(UNITED KINGDOM/PERU DEBT AGREEMENT No. 5 (1996))**

No. 1

*Her Majesty's Ambassador at Lima and Lord Fraser of Carmyllie to
the Minister of Economy and Finance of the Republic of Peru*

*British Embassy
Lima
4 November 1996*

I have the honour to refer to the Agreed Minute on the Consolidation of the Debt of the Republic of Peru which was signed at the Conference held in Paris on 20 July 1996, and to inform Your Excellency that the Government of the United Kingdom of Great Britain and Northern Ireland are prepared to provide debt relief to the Government of the Republic of Peru on the terms and conditions set out in the attached Annex.

If these terms and conditions are acceptable to the Government of the Republic of Peru, I have the honour to propose that this Note together with its Annex, and your reply to that effect, shall constitute an Agreement between our two Governments in this matter which shall be known as "The United Kingdom/Peru Debt Agreement No. 5 (1996)" and which shall enter into force on the date of your reply.

I have the honour to convey to Your Excellency the assurance of my highest consideration.

JOHN ILLMAN

FRASER OF CARMYLLIE

ANNEX

SECTION 1

Definitions and Interpretation

- (1) In this Annex, unless the contrary intention appears:
- (a) “the Agreed Minute” means the Agreed Minute on the Consolidation of the Debt of Peru which was signed at the Conference held in Paris on 20 July 1996;
 - (b) “Appropriate Market Rate” means the Reference Rate plus 0.5 per cent;
 - (c) “Business Day” means a day on which dealings are carried on in the London interbank market and (if payment is required to be made on such day) on which banks are open for domestic and foreign exchange business in London in the case of sterling and in both London and New York City in the case of US dollars;
 - (d) “the Consolidation Period” means the period from 1 April 1996 to 31 December 1998 inclusive;
 - (e) “Currency of the Debt” means the currency specified in the Third Agreement¹ and the Fourth Agreement² as being the currency in which that Debt is to be paid;
 - (f) “Debt” means any debt to which, by virtue of the provisions of Section 2, the provisions of this Annex apply;
 - (g) “the Department” means the Secretary of State of the Government of the United Kingdom acting by the Export Credits Guarantee Department or any other Department of the Government of the United Kingdom which that Government may subsequently nominate for the purpose hereof;
 - (h) “the Fourth Agreement” means the Agreement between the Government of the United Kingdom and the Government of Peru on Certain Commercial Debts signed on 30 December 1993;
 - (i) “Maturity” in relation to a Debt specified in:
 - (i) Section 2(1) means the relevant dates for payment specified in the Third and Fourth Agreements;
 - (ii) Section 2(2) means the 31 December 1998;
 - (j) “the Ministry” means the Ministry of Economy and Finance or any other institution which the Government of Peru may nominate for the purposes of this Annex;
 - (k) “Peru” means the Republic of Peru;
 - (l) “Previously Capitalised Interest” means the Debt specified in Sections 2(1)(d)(ii) and 2(1)(d)(iii) in the Third Agreement and Section 2(1)(d) in the Fourth Agreement;
 - (m) “Reference Rate” means the rate (rounded upwards where necessary to the nearest multiple of 1/16th (one sixteenth) of one per cent) quoted by the Reuters Monitor Money Rate Services (International Swap Dealers Association Interbank Rates from London) (page reference “ISDA”) as the rate at which six-month eurodollar deposits, in the case of a Debt denominated in US dollars, or six-month sterling deposits, in the case of a Debt denominated in sterling or any other currency, is offered in the London Interbank Market at 11am (London time) two Business Days before the commencement of the relevant interest period. If the Reuters Monitor Money Rate Services are unavailable on the required date, the rate or rates to be used will be the mean of the rates provided by two banks, to be agreed by the Department and the Ministry, as the mean of the rates at which those banks are offering six-month eurodollar deposits or six-month sterling deposits on the required date;

¹Treaty Series No. 19 (1993) Cm 2171.

²Treaty Series No. 34 (1999), Cm 4356.

- (n) "the Third Agreement" means the Agreement between the Government of the United Kingdom and the Government of Peru on Certain Commercial Debts signed on 17 September 1992;
- (o) "United Kingdom" means the United Kingdom of Great Britain and Northern Ireland.
- (2) All interest payable pursuant to this Annex shall be calculated on the basis of actual days elapsed and a year of 365 days.
- (3) Where the context of this Annex so allows, words importing the singular include the plural and vice versa.
- (4) Unless otherwise indicated, reference to a specified Section shall be construed as a reference to that Section of this Annex.
- (5) The headings to the Sections are for ease of reference only.

SECTION 2

The Debt

The provisions of this Annex shall, subject to the provisions of paragraph (2) of this Section and Article IV paragraph 3 of the Agreed Minute, apply to:

- (1) any amount of interest (but not any compensation or Previously Capitalised Interest or interest accrued thereon), payable under the Third and Fourth Agreements accruing during the Consolidation Period and which remains unpaid;
- (2) any amount of principal (excluding Previously Capitalised Interest) payable under the Third Agreement and which remains unpaid on and including 31 December 1998;

SECTION 3

Payments under the Third and Fourth Agreements

The provisions of the Third and Fourth Agreements insofar as they relate to the payment of any Debt shall cease to apply upon the entry into force of this Agreement.

SECTION 4

Payment of Debt

The Government of Peru shall pay to the Department, in accordance with the provisions of Section 6(1), the total of the following proportions of each Debt specified in Section 2(1):

- (a) 100% of the Debt due from 1 April 1996 to 31 December 1996 inclusive; plus
- (b) 85% of the Debt due from 1 January 1997 to 31 December 1997 inclusive; plus
- (c) 50% of the Debt due from 1 January 1998 to 31 December 1998 inclusive;

on the following dates and in the following percentages:

<i>Repayment Date</i>	<i>Percentage to be repaid</i>
30 June 1999	0.40
31 December 1999	0.40
30 June 2000	0.70
31 December 2000	0.70
30 June 2001	0.90
31 December 2001	0.90
30 June 2002	1.15
31 December 2002	1.15
30 June 2003	1.40
31 December 2003	1.40
30 June 2004	1.65
31 December 2004	1.65

<i>Repayment Date</i>	<i>Percentage to be repaid</i>
30 June 2005	2.00
31 December 2005	2.00
30 June 2006	2.45
31 December 2006	2.45
30 June 2007	2.95
31 December 2007	2.95
30 June 2008	3.45
31 December 2008	3.45
30 June 2009	4.20
31 December 2009	4.20
30 June 2010	4.70
31 December 2010	4.70
30 June 2011	5.20
31 December 2011	5.20
30 June 2012	5.70
31 December 2012	5.70
30 June 2013	6.20
31 December 2013	6.20
30 June 2014	3.50
31 December 2014	3.50
30 June 2015	3.45
31 December 2015	3.45

The remaining balances under (b) and (c) above shall be paid on their respective due dates in accordance with the terms of the Third Agreement and the Fourth Agreement.

(2) Subject to the provisions of paragraph (3) of this Section, the Government of Peru shall also pay to the Department, in accordance with the provisions of Section 6(1) the Debt specified in Section 2(2) on the following dates and in the following percentages:

<i>Payment Date</i>	<i>Percentage to be repaid</i>
30 June 1999	1.50
31 December 1999	1.50
30 June 2000	2.25
31 December 2000	2.25
30 June 2001	2.50
31 December 2001	2.50
30 June 2002	2.70
31 December 2002	2.70
30 June 2003	2.70
31 December 2003	2.70
30 June 2004	2.88
31 December 2004	2.88
30 June 2005	2.88
31 December 2005	2.88
30 June 2006	2.88
31 December 2006	2.88
30 June 2007	3.00
31 December 2007	3.00
30 June 2008	3.00
31 December 2008	3.00
30 June 2009	3.00
31 December 2009	3.00
30 June 2010	3.50
31 December 2010	3.50
30 June 2011	4.00

<i>Payment Date</i>	<i>Percentage to be repaid</i>
31 December 2011	4.00
30 June 2012	4.25
31 December 2012	4.25
30 June 2013	4.50
31 December 2013	4.50
30 June 2014	2.48
31 December 2014	2.48
30 June 2015	2.00
31 December 2015	1.96

(3) In the event that either paragraph f(1) or paragraph f(2) or paragraph f(3) under Article IV of the Agreed Minute comes into force, the repayment terms specified at paragraph (2) of this Section shall be superseded and replaced by either Table 1, or Table 2, or Table 3, (as the case may be), attached to the Agreed Minute.

SECTION 5

Interest

(1) Interest on the balance of each Debt shall be deemed to have accrued and shall accrue during, and shall be payable in respect of, the period from Maturity until the settlement of that Debt by payment to the Department.

(2) The Government of Peru shall be liable for and shall pay to the Department in accordance with the provisions of Section 6(1) and of this Section interest on each Debt to the extent that it has not been settled by payment to the Department. Such interest shall be paid to the Department on a half-yearly basis on 30 June and 31 December (the aforementioned dates being referred to as the "Due Dates") each year commencing on 31 December 1996.

(3) If any amount of interest payable in accordance with the provisions of paragraph (2) of this Section is not paid on the Due Date, the Government of Peru shall compensate the Department for any amount of interest outstanding. Such compensation shall be in addition to the interest payable under paragraph (2) of this Section. It shall accrue and be payable without compounding on the outstanding amount of overdue interest from day to day from the Due Date in accordance with the provisions of paragraph (2) of this Section to the date of receipt of the payment by the Department, and shall be due without further notice or demand.

(4) All interest and compensation payable in accordance with the provisions of this Section shall be paid at the Appropriate Market Rate applicable to each half-yearly interest period commencing with the half-yearly interest period within which the Maturity of the Debt concerned occurs.

SECTION 6

Payments to the Department

(1) When any payment becomes due under the terms of Section 4 or 5 the Ministry shall arrange for the necessary amounts, without deduction of taxes, fees, other public charges or any other costs accruing inside or outside Peru, to be paid in the Currency of the Debt to the appropriate accounts specified in Section 11 or as otherwise notified by the Department to the Ministry.

(2) If the day on which such a payment falls due is not a Business Day payment shall be made on the nearest Business Day.

(3) The Ministry shall give the Department full particulars of the Debts and/or interest and/or compensation to which the payments relate.

SECTION 7

Exchange of Information

The Department and the Ministry shall exchange all information required for the implementation of this Annex.

SECTION 8

Other Debt Settlements

- (1) The Government of Peru undertakes to fulfil its commitments under Article III of the Agreed Minute.
- (2) The Government of Peru agrees to accord to the United Kingdom terms no less favourable than those agreed with any other creditor country.
- (3) The provisions of paragraph (2) of this Section shall not apply to matters relating to the payment of interest determined by Section 5.

SECTION 9

Debt Conversion Option

The Department agrees to give prior notification to the Government of Peru if it is willing to exercise the option provided for in Article II paragraph 4 of the Agreed Minute. The Department recognises that this option can only be implemented with the written consent of the Government of Peru.

SECTION 10

Conditionality

Unless the Department otherwise agrees, this Annex shall apply for as long as the Agreed Minute applies. If the Agreed Minute ceases to apply in accordance with Article IV paragraph 3(h) of the Agreed Minute, this Annex shall likewise cease to apply.

SECTION 11

Department's Bank Accounts

The bank accounts specified by the Department are as follows:

- (1) For payment in sterling:
 - ECGD's account at the Bank of England
 - Account Number: 22950001
 - Sort Code: 10-00-0T
- (2) For payments in US dollars:
 - To: J P Morgan/Morgan Guaranty Trust Company
 - New York
 - ABA Code: 0210-0023-8
 - For the account of Royal Bank of Scotland PLC
 - Account Number: 600-00-725
 - For credit to Bank of England, London
 - Account Number: 3333-601-080001.

No. 2

*The Minister of Economy and Finance of the Republic of Peru to
Her Majesty's Ambassador at Lima*

*Ministry of Economics and Finance
Lima*

4 November 1996

Excellency,

I have the honour to acknowledge receipt of Your Excellency's Note and its Annex.

[As in No. 1]

[Annex as in No. 1]

I have the honour to confirm that the terms and conditions set out in the Annex to your Note are acceptable to the Government of the Republic of Peru, and that your Note together with its Annex, and this reply, shall constitute an Agreement between our two Governments in this matter which shall be known as "The United Kingdom/Peru Debt Agreement No. 5 (1996)" and which shall enter into force today.

I have the honour to convey to Your Excellency the assurance of my highest consideration.

JORGE CAMET



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