

Version
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International Finance Agreements Act 1961

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Date of assent 16 August 1961
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Note

The Parliamentary Counsel Office has made editorial and format changes to this version using the powers under subpart 2 of Part 3 of the Legislation Act 2019.

Note 4 at the end of this version provides a list of the amendments included in it.

This Act is administered by the Treasury.

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Title [Repealed]

Title: repealed, on 20 September 2007, by section 4 of the International Finance Agreements Amendment Act 2007 (2007 No 87).

Preamble

Whereas the International Monetary Fund and the International Bank for Reconstruction and Development were established pursuant to agreements drawn up at the United Nations Monetary and Financial Conference held in the month of July 1944:

And whereas the International Finance Corporation was established pursuant to the Articles of Agreement approved by the Executive Directors of the International Bank for Reconstruction and Development on 11 April 1955:

And whereas the Fund and the Bank and the Corporation have prescribed terms and conditions (as set out in Schedules 4, 5, and 6) upon which the Government of New Zealand may be admitted to membership of the Fund and the Bank and the Corporation:

And whereas it is desirable to make provision accordingly.

1 Short Title

This Act may be cited as the International Finance Agreements Act 1961.

1A Purpose

- (1) The purpose of this Act, as it was enacted in 1961, is to enable the Government of New Zealand to be a member of the International Monetary Fund, the International Bank for Reconstruction and Development, and the International Finance Corporation.
- (2) A further purpose, implemented by the International Finance Agreements Amendment Act 1966, is to enable the Government of New Zealand to be a member of the Asian Bank and the International Development Association.
- (3) A further purpose, implemented by the International Finance Agreements Amendment Act 1975, is to enable the Government of New Zealand to fulfil its obligations, as a member of the Organisation for Economic Co-operation and Development, to the Financial Support Fund of the Organisation for Economic Co-operation and Development.
- (4) A further purpose, implemented by the International Finance Agreements Amendment Act 2007, is to enable the Government of New Zealand to be a member of the Multilateral Investment Guarantee Agency.
- (5) A further purpose, implemented by the International Finance Agreements Amendment Act 2015, is to enable the Government of New Zealand to be a member of the Asian Infrastructure Investment Bank.

Section 1A: inserted, on 20 September 2007, by section 5 of the International Finance Agreements Amendment Act 2007 (2007 No 87).

Section 1A(5): inserted, on 11 December 2015, by section 4 of the International Finance Agreements Amendment Act 2015 (2015 No 110).

2 Interpretation

In this Act, unless the context otherwise requires,—

Agency means the Multilateral Investment Guarantee Agency established under the Convention

Bank means the International Bank for Reconstruction and Development

Bank Agreement means the Articles of Agreement set out in Schedule 2, providing for the establishment and operation of the Bank

Convention means the Convention Establishing the Multilateral Investment Guarantee Agency, the text of which is set out in Schedule 7

Corporation means the International Finance Corporation

Corporation Agreement means the Articles of Agreement set out in Schedule 3, providing for the establishment and operation of the Corporation

Fund means the International Monetary Fund

Fund Agreement means the Articles of Agreement of the International Monetary Fund set out in Schedule 1, as that schedule appears in the Schedule of the International Finance Agreements Amendment Act 1976

Infrastructure Bank means the Asian Infrastructure Investment Bank

Infrastructure Bank Agreement means the Articles of Agreement set out in Schedule 8, providing for the establishment and operation of the Infrastructure Bank

Minister means the Treasurer, or other Minister of the Crown who, under the authority of any warrant or with the authority of the Prime Minister, is for the time being responsible for the administration of this Act or particular provisions of this Act.

Section 2 **Agency**: inserted, on 20 September 2007, by section 6 of the International Finance Agreements Amendment Act 2007 (2007 No 87).

Section 2 **Convention**: inserted, on 20 September 2007, by section 6 of the International Finance Agreements Amendment Act 2007 (2007 No 87).

Section 2 **Fund Agreement**: replaced, on 21 April 1978, by section 2 of the International Finance Agreements Amendment Act 1976 (1976 No 25).

Section 2 **Infrastructure Bank**: inserted, on 11 December 2015, by section 5 of the International Finance Agreements Amendment Act 2015 (2015 No 110).

Section 2 **Infrastructure Bank Agreement**: inserted, on 11 December 2015, by section 5 of the International Finance Agreements Amendment Act 2015 (2015 No 110).

Section 2 **Minister**: inserted, on 25 June 1997, by section 2 of the Treasurer (Statutory References) Act 1997 (1997 No 20).

3 **Membership of Fund, Bank, Corporation, Agency, and Infrastructure Bank**

- (1) Approval is hereby given to the New Zealand Government's becoming a member of the Fund and of the Bank and of the Corporation in accordance with the Fund Agreement, the Bank Agreement, and the Corporation Agreement, and in accordance with the terms and conditions set out in Schedules 4, 5, and 6.
- (2) Approval is also given for the New Zealand Government to become a member of the Agency in accordance with the Convention.
- (3) Approval is also given for the New Zealand Government to become a member of the Infrastructure Bank in accordance with the Infrastructure Bank Agreement.

Section 3 heading: replaced, on 20 September 2007, by section 7(1) of the International Finance Agreements Amendment Act 2007 (2007 No 87).

Section 3 heading: amended, on 11 December 2015, by section 6(1) of the International Finance Agreements Amendment Act 2015 (2015 No 110).

Section 3(2): inserted, on 20 September 2007, by section 7(2) of the International Finance Agreements Amendment Act 2007 (2007 No 87).

Section 3(3): inserted, on 11 December 2015, by section 6(2) of the International Finance Agreements Amendment Act 2015 (2015 No 110).

4 Reserve Bank of New Zealand to be depository

- (1) The Reserve Bank of New Zealand is hereby designated as the depository in New Zealand for all the holdings of New Zealand currency and of other assets of the Fund, the Bank, the Corporation, the Agency, and the Infrastructure Bank.
- (2) The Reserve Bank of New Zealand shall have power from time to time to acquire, hold, and deal with special drawing rights in accordance with the Fund Agreement; and, without limiting the generality of the expression “foreign exchange” in the Reserve Bank of New Zealand Act 2021, special drawing rights shall be deemed to be foreign exchange for the purposes of that Act.

Section 4(1): amended, on 11 December 2015, by section 7 of the International Finance Agreements Amendment Act 2015 (2015 No 110).

Section 4(1): amended, on 20 September 2007, by section 8 of the International Finance Agreements Amendment Act 2007 (2007 No 87).

Section 4(2): replaced, on 1 February 1990, by section 185 of the Reserve Bank of New Zealand Act 1989 (1989 No 157).

Section 4(2): amended, on 1 July 2022, by section 300(1) of the Reserve Bank of New Zealand Act 2021 (2021 No 31).

5 Payments under Agreements and Convention

- (1) There shall be paid out of public money, without further appropriation than this section,—
 - (a) all payments required to be made from time to time to the Fund under the terms set out in Schedule 4 and the provisions of the Fund Agreement:
 - (b) all payments required to be made from time to time to the Bank under the terms set out in Schedule 5 and the provisions of the Bank Agreement:
 - (c) all payments required to be made from time to time to the Corporation under the terms set out in Schedule 6 and the provisions of the Corporation Agreement:
 - (d) all payments required to be made from time to time to the Agency under the terms of the Convention:
 - (e) all payments required to be made from time to time to the Infrastructure Bank under the terms of the Infrastructure Bank Agreement.
- (2) Expenses or capital expenditure may be incurred without further appropriation than this section for the purpose of the payments authorised by subsection (1) (*see* sections 4 and 11 of the Public Finance Act 1989).

Section 5 heading: amended, on 20 September 2007, by section 9(1) of the International Finance Agreements Amendment Act 2007 (2007 No 87).

Section 5(1): amended (with effect on 1 July 1989), on 26 July 1989, by section 86(1) of the Public Finance Act 1989 (1989 No 44).

Section 5(1): amended, on 1 April 1978, by section 160(1) of the Public Finance Act 1977 (1977 No 65).

Section 5(1)(c): amended, on 11 December 2015, by section 8(1) of the International Finance Agreements Amendment Act 2015 (2015 No 110).

Section 5(1)(d): inserted, on 20 September 2007, by section 9(2) of the International Finance Agreements Amendment Act 2007 (2007 No 87).

Section 5(1)(d): amended, on 11 December 2015, by section 8(1) of the International Finance Agreements Amendment Act 2015 (2015 No 110).

Section 5(1)(e): inserted, on 11 December 2015, by section 8(2) of the International Finance Agreements Amendment Act 2015 (2015 No 110).

Section 5(2): inserted, on 11 December 2015, by section 8(3) of the International Finance Agreements Amendment Act 2015 (2015 No 110).

6 Power to borrow

- (1) The Minister may from time to time borrow on the security of and charged upon the public revenues of New Zealand such sums of money as are required to be paid by the Government of New Zealand under section 5.
- (2) All money borrowed under the authority of this section shall, as and when borrowed, be paid to a Crown Bank Account.
- (3) All money borrowed under the authority of this section shall be borrowed under and subject to the provisions of Part 6 of the Public Finance Act 1989.

Section 6(1): amended, on 25 June 1997, by section 2 of the Treasurer (Statutory References) Act 1997 (1997 No 20).

Section 6(2): amended, on 25 January 2005, pursuant to section 83(7) of the Public Finance Act 1989 (1989 No 44).

Section 6(2): amended, on 1 April 1978, by section 160(1) of the Public Finance Act 1977 (1977 No 65).

Section 6(3): amended (with effect on 1 July 1989), on 26 July 1989, by section 86(1) of the Public Finance Act 1989 (1989 No 44).

7 Issue of securities

- (1) The Minister is hereby authorised to create and issue securities, notes, or obligations, which shall be non-negotiable, non-interest bearing, and payable on demand, to the Fund in conformity with section 4 of Article III of the Fund Agreement, and to the Bank in conformity with section 12 of Article V of the Bank Agreement.
- (2) The Minister is authorised by this subsection to create, and to issue to the Agency, non-negotiable, non-interest-bearing promissory notes or similar obligations, in conformity with Article 7 of the Convention.

Section 7(1): amended, on 25 June 1997, by section 2 of the Treasurer (Statutory References) Act 1997 (1997 No 20).

Section 7(1): amended, on 21 April 1978, by section 5 of the International Finance Agreements Amendment Act 1976 (1976 No 25).

Section 7(2): inserted, on 20 September 2007, by section 10 of the International Finance Agreements Amendment Act 2007 (2007 No 87).

8 Application of certain Articles of Agreements

- (1) The first sentence of section 2(b) of Article VIII of the Fund Agreement (which relates to contracts that involve the currency of any member and are contrary to the exchange control regulations of that member) shall have the force of law in New Zealand.
- (2) Sections 2 to 9 of Article IX of the Fund Agreement, sections 2 to 9 of Article VII of the Bank Agreement, sections 2 to 9 and 11 of Article VI of the Corporation Agreement, and Articles 45 to 52 of the Infrastructure Bank Agreement (which relate to status, immunities, and privileges) shall have the force of law in New Zealand.
- (2A) Paragraph (b) of Article XXI of the Fund Agreement (which relates to the exemption from taxation of special drawing rights and of operations and transactions in special drawing rights) shall have the force of law in New Zealand.
- (3) In this section, other than in subsection (2) in relation to Articles 45 to 52 of the Infrastructure Bank Agreement, **New Zealand** includes the Cook Islands and Tokelau.
- (4) *[Repealed]*
- (5) *[Repealed]*

Section 8 heading: amended, on 20 September 2007, by section 11 of the International Finance Agreements Amendment Act 2007 (2007 No 87).

Section 8(2): amended, on 11 December 2015, by section 9(1)(a) of the International Finance Agreements Amendment Act 2015 (2015 No 110).

Section 8(2): amended, on 11 December 2015, by section 9(1)(b) of the International Finance Agreements Amendment Act 2015 (2015 No 110).

Section 8(2A): inserted, on 21 April 1978, by section 6 of the International Finance Agreements Amendment Act 1976 (1976 No 25).

Section 8(3): amended, on 11 December 2015, by section 9(2)(a) of the International Finance Agreements Amendment Act 2015 (2015 No 110).

Section 8(3): amended, on 11 December 2015, by section 9(2)(b) of the International Finance Agreements Amendment Act 2015 (2015 No 110).

Section 8(3): amended, on 9 December 1976, pursuant to section 3(8) of the Tokelau Amendment Act 1976 (1976 No 122).

Section 8(3): amended, at 11 pm on 1 January 1962, by section 9 of the Western Samoa Act 1961 (1961 No 68).

Section 8(4): repealed, on 17 November 1964, by section 58 of the Cook Islands Amendment Act 1964 (1964 No 70).

Section 8(5): repealed, at 11 pm on 1 January 1962, by section 10(1) of the Western Samoa Act 1961 (1961 No 68).

9 Application of certain Articles of Convention

Articles 44 to 48 and 50 of the Convention (which relate to privileges and immunities) have the force of law in New Zealand.

Section 9: inserted, on 20 September 2007, by section 12 of the International Finance Agreements Amendment Act 2007 (2007 No 87).

10 Power to amend schedules

- (1) The Governor-General may, by Order in Council,—
- (a) amend any schedule specified in subsection (2) to bring the text of the agreement or convention set out in that schedule up to date; and
 - (b) repeal any schedule specified in subsection (2) and substitute a new schedule setting out in an up-to-date form the text of the agreement or convention set out in the repealed schedule.
- (2) The schedules that may be amended, or repealed and substituted, are—
- (a) Schedule 1 (which sets out the text of the Fund Agreement):
 - (b) Schedule 2 (which sets out the text of the Bank Agreement):
 - (c) Schedule 3 (which sets out the text of the Corporation Agreement):
 - (d) Schedule 7 (which sets out the text of the Convention):
 - (da) Schedule 8 (which sets out the text of the Infrastructure Bank Agreement):
 - (e) Schedule 1 of the International Finance Agreements Amendment Act 1966 (which sets out the text of the Agreement Establishing the Asian Development Bank):
 - (f) Schedule 2 of the International Finance Agreements Amendment Act 1966 (which sets out the text of the Articles of Agreement of the International Development Association).
- (3) An order under this section is secondary legislation (*see* Part 3 of the Legislation Act 2019 for publication requirements).
- (3) *[Repealed]*

Legislation Act 2019 requirements for secondary legislation made under this section

Publication	PCO must publish it on the legislation website and notify it in the <i>Gazette</i>	LA19 s 69(1)(c)
Presentation	The Minister must present it to the House of Representatives	LA19 s 114, Sch 1 cl 32(1)(a)
Disallowance	It may be disallowed by the House of Representatives	LA19 ss 115, 116

This note is not part of the Act.

Section 10: inserted, on 27 February 2013, by section 4 of the International Finance Agreements Amendment Act 2013 (2013 No 4).

Section 10(2)(da): inserted, on 11 December 2015, by section 10(1) of the International Finance Agreements Amendment Act 2015 (2015 No 110).

Section 10(3): inserted, on 28 October 2021, by section 3 of the Secondary Legislation Act 2021 (2021 No 7).

Section 10(3): repealed, on 11 December 2015, by section 10(2) of the International Finance Agreements Amendment Act 2015 (2015 No 110).

Schedule 1

Articles of Agreement of the International Monetary Fund

Schedule 1: replaced, on 21 April 1978, by section 7 of the International Finance Agreements Amendment Act 1976 (1976 No 25).

The Governments on whose behalf the present Agreement is signed agree as follows:

Introductory Article

- (i) The International Monetary Fund is established and shall operate in accordance with the provisions of this Agreement as originally adopted and subsequently amended.
- (ii) To enable the Fund to conduct its operations and transactions, the Fund shall maintain a General Department and a Special Drawing Rights Department. Membership in the Fund shall give the right to participation in the Special Drawing Rights Department.
- (iii) Operations and transactions authorized by this Agreement shall be conducted through the General Department, consisting in accordance with the provisions of this Agreement of the General Resources Account, the Special Disbursement Account, and the Investment Account; except that operations and transactions involving special drawing rights shall be conducted through the Special Drawing Rights Department.

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 general resources of the Fund temporarily 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 policies and decisions by the purposes set forth in this Article.

Article II

Membership

Section 1—Original members

The original members of the Fund shall be those of the countries represented at the United Nations Monetary and Financial Conference whose governments accept membership before December 31, 1945.

Section 2—Other members

Membership shall be open to other countries at such times and in accordance with such terms as may be prescribed by the Board of Governors. These terms, including the terms for subscriptions, shall be based on principles consistent with those applied to other countries that are already members.

Article III

Quotas and subscriptions

Section 1—Quotas and payment of subscriptions

Each member shall be assigned a quota expressed in special drawing rights. The quotas of the members represented at the United Nations Monetary and Financial Conference which accept membership before December 31, 1945 shall be those set forth in Schedule A. The quotas of other members shall be determined by the Board of Governors. The subscription of each member shall be equal to its quota and shall be paid in full to the Fund at the appropriate depository.

Section 2—Adjustment of quotas

- (a) The Board of Governors shall at intervals of not more than five years conduct a general review, and if it deems it appropriate propose an adjustment, of the quotas of the members. It may also, if it thinks fit, consider at any other time the adjustment of any particular quota at the request of the member concerned.
- (b) The Fund may at any time propose an increase in the quotas of those members of the Fund that were members on August 31, 1975 in proportion to their quotas on that date in a cumulative amount not in excess of amounts transferred under Article V, Section 12(f)(i) and (j) from the Special Disbursement Account to the General Resources Account.
- (c) An eighty-five percent majority of the total voting power shall be required for any change in quotas.

- (d) The quota of a member shall not be changed until the member has consented and until payment has been made unless payment is deemed to have been made in accordance with Section 3(b) of this Article.

Section 3—Payments when quotas are changed

- (a) Each member which consents to an increase in its quota under Section 2(a) of this Article shall, within a period determined by the Fund, pay to the Fund twenty-five percent of the increase in special drawing rights, but the Board of Governors may prescribe that this payment may be made, on the same basis for all members, in whole or in part in the currencies of other members specified, with their concurrence, by the Fund, or in the member's own currency. A non-participant shall pay in the currencies of other members specified by the Fund, with their concurrence, a proportion of the increase corresponding to the proportion to be paid in special drawing rights by participants. The balance of the increase shall be paid by the member in its own currency. The Fund's holdings of a member's currency shall not be increased above the level at which they would be subject to charges under Article V, Section 8(b)(ii), as a result of payments by other members under this provision.
- (b) Each member which consents to an increase in its quota under Section 2(b) of this Article shall be deemed to have paid to the Fund an amount of subscription equal to such increase.
- (c) If a member consents to a reduction in its quota, the Fund shall, within sixty days, pay to the member an amount equal to the reduction. The payment shall be made in the member's currency and in such amount of special drawing rights or the currencies of other members specified, with their concurrence, by the Fund as is necessary to prevent the reduction of the Fund's holdings of the currency below the new quota, provided that in exceptional circumstances the Fund may reduce its holdings of the currency below the new quota by payment to the member in its own currency.
- (d) A seventy percent majority of the total voting power shall be required for any decision under (a) above, except for the determination of a period and the specification of currencies under that provision.

Section 4—Substitution of securities for currency

The Fund shall accept from any member, in place of any part of the member's currency in the General Resources Account which in the judgment of the Fund is not needed for its operations and transactions, notes or similar obligations issued by the member or the depository designated by the member under Article XIII, Section 2, which shall be non-negotiable, non-interest bearing and payable at their face value on demand by crediting the account of the Fund in the designated depository. This Section shall apply not only to currency subscribed by members but also to any currency otherwise due to, or acquired by, the Fund and to be placed in the General Resources Account.

Article IV

Obligations regarding exchange arrangements

Section 1—General obligations of members

Recognising that the essential purpose of the international monetary system is to provide a framework that facilitates the exchange of goods, services, and capital among countries, and that sustains sound economic growth, and that a principal objective is the continuing development of the orderly underlying conditions that are necessary for financial and economic stability, each member undertakes to collaborate with the Fund and other members to assure orderly exchange arrangements and to promote a stable system of exchange rates. In particular, each member shall:

- (i) endeavour to direct its economic and financial policies toward the objective of fostering orderly economic growth with reasonable price stability, with due regard to its circumstances;
- (ii) seek to promote stability by fostering orderly underlying economic and financial conditions and a monetary system that does not tend to produce erratic disruptions;
- (iii) avoid manipulating exchange rates or the international monetary system in order to prevent effective balance of payments adjustment or to gain an unfair competitive advantage over other members; and
- (iv) follow exchange policies compatible with the undertakings under this Section.

Section 2—General exchange arrangements

- (a) Each member shall notify the Fund, within thirty days after the date of the second amendment of this Agreement, of the exchange arrangements it intends to apply in fulfilment of its obligations under Section 1 of this Article, and shall notify the Fund promptly of any changes in its exchange arrangements.
- (b) Under an international monetary system of the kind prevailing on January 1, 1976, exchange arrangements may include (i) the maintenance by a member of a value for its currency in terms of the special drawing right or another denominator, other than gold, selected by the member, or (ii) co-operative arrangements by which members maintain the value of their currencies in relation to the value of the currency or currencies of other members, or (iii) other exchange arrangements of a member's choice.
- (c) To accord with the development of the international monetary system, the Fund, by an eighty-five percent majority of the total voting power, may make provision for general exchange arrangements without limiting the right of members to have exchange arrangements of their choice consistent with the purposes of the Fund and the obligations under Section 1 of this Article.

Section 3—Surveillance over exchange arrangements

- (a) The Fund shall oversee the international monetary system in order to ensure its effective operation, and shall oversee the compliance of each member with its obligations under Section 1 of this Article.
- (b) In order to fulfil its functions under (a) above, the Fund shall exercise firm surveillance over the exchange rate policies of members, and shall adopt specific principles for the guidance of all members with respect to those policies. Each member shall provide the Fund with the information necessary for such surveillance, and, when requested by the Fund, shall consult with it on the member's exchange rate policies. The principles adopted by the Fund shall be consistent with co-operative arrangements by which members maintain the value of their currencies in relation to the value of the currency or currencies of other members, as well as with other exchange arrangements of a member's choice consistent with the purposes of the Fund and Section 1 of this Article. These principles shall respect the domestic social and political policies of members, and in applying these principles the Fund shall pay due regard to the circumstances of members.

Section 4—Par values

The Fund may determine, by an eighty-five percent majority of the total voting power, that international economic conditions permit the introduction of a widespread system of exchange arrangements based on stable but adjustable par values. The Fund shall make the determination on the basis of the underlying stability of the world economy, and for this purpose shall take into account price movements and rates of expansion in the economies of members. The determination shall be made in light of the evolution of the international monetary system, with particular reference to sources of liquidity, and, in order to ensure the effective operation of a system of par values, to arrangements under which both members in surplus and members in deficit in their balances of payments take prompt, effective, and symmetrical action to achieve adjustment, as well as to arrangements for intervention and the treatment of imbalances. Upon making such determination, the Fund shall notify members that the provisions of Schedule C apply.

Section 5—Separate currencies within a member's territories

- (a) Action by a member with respect to its currency under this Article shall be deemed to apply to the separate currencies of all territories in respect of which the member has accepted this Agreement under Article XXXI, Section 2(g) unless the member declares that its action 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.
- (b) Action by the Fund under this Article shall be deemed to relate to all currencies of a member referred to in (a) above unless the Fund declares otherwise.

Article V

Operations and transactions of the Fund

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.

Section 2—Limitation on the Fund's operations and transactions

- (a) Except as otherwise provided in this Agreement, transactions on the account of the Fund shall be limited to transactions for the purpose of supplying a member, on the initiative of such member, with special drawing rights or the currencies of other members from the general resources of the Fund, which shall be held in the General Resources Account, in exchange for the currency of the member desiring to make the purchase.
- (b) If requested, the Fund may decide to perform financial and technical services, including the administration of resources contributed by members, that are consistent with the purposes of the Fund. Operations involved in the performance of such financial services shall not be on the account of the Fund. Services under this subsection shall not impose any obligation on a member without its consent.

Section 3—Conditions governing use of the Fund's general resources

- (a) The Fund shall adopt policies on the use of its general resources, including policies on stand-by or similar arrangements, and may adopt special policies for special balance of payments problems, that will assist members to solve their balance of payments problems in a manner consistent with the provisions of this Agreement and that will establish adequate safeguards for the temporary use of the general resources of the Fund.
- (b) A member shall be entitled to purchase the currencies of other members from the Fund in exchange for an equivalent amount of its own currency subject to the following conditions:
 - (i) the member's use of the general resources of the Fund would be in accordance with the provisions of this Agreement and the Policies adopted under them;
 - (ii) the member represents that it has a need to make the purchase because of its balance of payments or its reserve position or developments in its reserves;
 - (iii) the proposed purchase would be a reserve tranche purchase, or would not cause the Fund's holdings of the purchasing member's currency to exceed two hundred percent of its quota;

- (iv) the Fund has not previously declared under Section 5 of this Article, Article VI, Section 1, or Article XXVI, Section 2(a) that the member desiring to purchase is ineligible to use the general resources of the Fund.
- (c) The Fund shall examine a request for a purchase to determine whether the proposed purchase would be consistent with the provisions of this Agreement and the policies adopted under them, provided that requests for reserve tranche purchases shall not be subject to challenge.
- (d) The Fund shall adopt policies and procedures on the selection of currencies to be sold that take into account, in consultation with members, the balance of payments and reserve position of members and developments in the exchange markets, as well as the desirability of promoting over time balanced positions in the Fund, provided that if a member represents that it is proposing to purchase the currency of another member because the purchasing member wishes to obtain an equivalent amount of its own currency offered by the other member, it shall be entitled to purchase the currency of the other member unless the Fund has given notice under Article VII, Section 3, that its holdings of the currency have become scarce.
- (e)
 - (i) Each member shall ensure that balances of its currency purchased from the Fund are balances of a freely usable currency or can be exchanged at the time of purchase for a freely usable currency of its choice at an exchange rate between the two currencies equivalent to the exchange rate between them on the basis of Article XIX, Section 7(a).
 - (ii) Each member whose currency is purchased from the Fund or is obtained in exchange for currency purchased from the Fund shall collaborate with the Fund and other members to enable such balances of its currency to be exchanged, at the time of purchase, for the freely usable currencies of other members.
 - (iii) An exchange under (i) above of a currency that is not freely usable shall be made by the member whose currency is purchased unless that member and the purchasing member agree on another procedure.
 - (iv) A member purchasing from the Fund the freely usable currency of another member and wishing to exchange it at the time of purchase for another freely usable currency shall make the exchange with the other member if requested by that member. The exchange shall be made for a freely usable currency selected by the other member at the rate of exchange referred to in (i) above.
- (f) Under policies and procedures which it shall adopt, the Fund may agree to provide a participant making a purchase in accordance with this Section with special drawing rights instead of the currencies of other members.

Section 4—Waiver of conditions

The Fund may in its discretion, and on terms which safeguard its interests, waive any of the conditions prescribed in Section 3(b)(iii) and (iv) of this Article, especially in

the case of members with a record of avoiding large or continuous use of the Fund's general resources. In making a waiver it shall take into consideration periodic or exceptional requirements of the member requesting the waiver. The Fund shall also take into consideration a member's willingness to pledge as collateral security acceptable assets having a value sufficient in the opinion of the Fund to protect its interests and may require as a condition of waiver the pledge of such collateral security.

Section 5—Ineligibility to use the Fund's general resources

Whenever the Fund is of the opinion that any member is using the general resources of the Fund in a manner contrary to the purposes of the Fund, it shall present to the member a report setting forth the views of the Fund and prescribing a suitable time for reply. After presenting such a report to a member, the Fund may limit the use of its general resources by the member. If no reply to the report is received from the member within the prescribed time, or if the reply received is unsatisfactory, the Fund may continue to limit the member's use of the general resources of the Fund or may, after giving reasonable notice to the member, declare it ineligible to use the general resources of the Fund.

Section 6—Other purchases and sales of special drawing rights by the Fund

- (a) The Fund may accept special drawing rights offered by a participant in exchange for an equivalent amount of the currencies of other members.
- (b) The Fund may provide a participant, at its request, with special drawing rights for an equivalent amount of the currencies of other members. The Fund's holdings of a member's currency shall not be increased as a result of these transactions above the level at which the holdings would be subject to charges under Section 8(b)(ii) of this Article.
- (c) The currencies provided or accepted by the Fund under this Section shall be selected in accordance with policies that take into account the principles of Section 3(d) or 7(i) of this Article. The Fund may enter into transactions under this Section only if a member whose currency is provided or accepted by the Fund concurs in that use of its currency.

Section 7—Repurchase by a member of its currency held by the Fund

- (a) A member shall be entitled to repurchase at any time the Fund's holdings of its currency that are subject to charges under Section 8(b) of this Article.
- (b) A member that has made a purchase under Section 3 of this Article will be expected normally, as its balance of payments and reserve position improves, to repurchase the Fund's holdings of its currency that result from the purchase and are subject to charges under Section 8(b) of this Article. A member shall repurchase these holdings if, in accordance with policies on repurchase that the Fund shall adopt and after consultation with the member, the Fund represents to the

member that it should repurchase because of an improvement in its balance of payments and reserve position.

- (c) A member that has made a purchase under Section 3 of this Article shall repurchase the Fund's holdings of its currency that result from the purchase and are subject to charges under Section 8(b) of this Article not later than five years after the date on which the purchase was made. The Fund may prescribe that repurchase shall be made by a member in installments during the period beginning three years and ending five years after the date of a purchase. The Fund, by an eighty-five percent majority of the total voting power, may change the periods for repurchase under this subsection, and any period so adopted shall apply to all members.
- (d) The Fund, by an eighty-five percent majority of the total voting power, may adopt periods other than those that apply in accordance with (c) above, which shall be the same for all members, for the repurchase of holdings of currency acquired by the Fund pursuant to a special policy on the use of its general resources.
- (e) A member shall repurchase, in accordance with policies that the Fund shall adopt by a seventy percent majority of the total voting power, the Fund's holdings of its currency that are not acquired as a result of purchases and are subject to charges under Section 8(b)(ii) of this Article.
- (f) A decision prescribing that under a policy on the use of the general resources of the Fund the period for repurchase under (c) or (d) above shall be shorter than the one in effect under the policy shall apply only to holdings acquired by the Fund subsequent to the effective date of the decision.
- (g) The Fund, on the request of a member, may postpone the date of discharge of a repurchase obligation, but not beyond the maximum period under (c) or (d) above or under policies adopted by the Fund under (e) above, unless the Fund determines, by a seventy percent majority of the total voting power, that a longer period for repurchase which is consistent with the temporary use of the general resources of the Fund is justified because discharge on the due date would result in exceptional hardship for the member.
- (h) The Fund's policies under Section 3(d) of this Article may be supplemented by policies under which the Fund may decide after consultation with a member to sell under Section 3(b) of this Article its holdings of the member's currency that have not been repurchased in accordance with this Section 7, without prejudice to any action that the Fund may be authorised to take under any other provision of this Agreement.
- (i) All repurchases under this Section shall be made with special drawing rights or with the currencies of other members specified by the Fund. The Fund shall adopt policies and procedures with regard to the currencies to be used by members in making repurchases that take into account the principles in Section 3(d) of this Article. The Fund's holdings of a member's currency that is used in

repurchase shall not be increased by the repurchase above the level at which they would be subject to charges under Section 8(b)(ii) of this Article.

- (j) (i) If a member's currency specified by the Fund under (i) above is not a freely usable currency, the member shall ensure that the repurchasing member can obtain it at the time of the repurchase in exchange for a freely usable currency selected by the member whose currency has been specified. An exchange of currency under this provision shall take place at an exchange rate between the two currencies equivalent to the exchange rate between them on the basis of Article XIX, Section 7(a).
- (ii) Each member whose currency is specified by the Fund for repurchase shall collaborate with the Fund and other members to enable repurchasing members, at the time of the repurchase, to obtain the specified currency in exchange for the freely usable currencies of other members.
- (iii) An exchange under (j)(i) above shall be made with the member whose currency is specified unless that member and the repurchasing member agree on another procedure.
- (iv) If a repurchasing member wishes to obtain, at the time of the repurchase, the freely usable currency of another member specified by the Fund under (i) above, it shall, if requested by the other member, obtain the currency from the other member in exchange for a freely usable currency at the rate of exchange referred to in (j)(i) above. The Fund may adopt regulations on the freely usable currency to be provided in an exchange.

Section 8—Charges

- (a) (i) The Fund shall levy a service charge on the purchase by a member of special drawing rights or the currency of another member held in the General Resources Account in exchange for its own currency, provided that the Fund may levy a lower service charge on reserve tranche purchases than on other purchases. The service charge on reserve tranche purchases shall not exceed one-half of one percent.
- (ii) The Fund may levy a charge for stand-by or similar arrangements. The Fund may decide that the charge for an arrangement shall be offset against the service charge levied under (i) above on purchases under the arrangement.
- (b) The Fund shall levy charges on its average daily balances of a member's currency held in the General Resources Account to the extent that they:
 - (i) have been acquired under a policy that has been the subject of an exclusion under Article XXX(c), or
 - (ii) exceed the amount of the member's quota after excluding any balances referred to in (i) above.

The rates of charge normally shall rise at intervals during the period in which balances are held.

- (c) If a member fails to make a repurchase required under Section 7 of this Article, the Fund, after consultation with the member on the reduction of the Fund's holdings of its currency, may impose such charges as the Fund deems appropriate on its holdings of the member's currency that should have been repurchased.
- (d) A seventy percent majority of the total voting power shall be required for the determination of the rates of charge under (a) and (b) above, which shall be uniform for all members, and under (c) above.
- (e) A member shall pay all charges in special drawing rights, provided that in exceptional circumstances the Fund may permit a member to pay charges in the currencies of other members specified by the Fund, after consultation with them, or in its own currency. The Fund's holdings of a member's currency shall not be increased as a result of payments by other members under this provision above the level at which they would be subject to charges under (b)(ii) above.

Section 9—Remuneration

- (a) The Fund shall pay remuneration on the amount by which the percentage of quota prescribed under (b) or (c) below exceeds the Fund's average daily balances of a member's currency held in the General Resources Account other than balances acquired under a policy that has been the subject of an exclusion under Article XXX(c). The rate of remuneration, which shall be determined by the Fund by a seventy percent majority of the total voting power, shall be the same for all members and shall be not more than, nor less than four-fifths of, the rate of interest under Article XX, Section 3. In establishing the rate of remuneration, the Fund shall take into account the rates of charge under Article V, Section 8(b).
- (b) The percentage of quota applying for the purposes of (a) above shall be:
 - (i) for each member that became a member before the second amendment of this Agreement, a percentage of quota corresponding to seventy-five percent of its quota on the date of the second amendment of this Agreement, and for each member that became a member after the date of the second amendment of this Agreement, a percentage of quota calculated by dividing the total of the amounts corresponding to the percentages of quota that apply to the other members on the date on which the member became a member by the total of the quotas of the other members on the same date; plus
 - (ii) the amounts it has paid to the Fund in currency or special drawing rights under Article III, Section 3(a) since the date applicable under (b)(i) above; and minus

- (iii) the amounts it has received from the Fund in currency or special drawing rights under Article III, Section 3(c) since the date applicable under (b)(i) above.
- (c) The Fund, by a seventy percent majority of the total voting power, may raise the latest percentage of quota applying for the purposes of (a) above to each member to:
 - (i) a percentage, not in excess of one hundred percent, that shall be determined for each member on the basis of the same criteria for all members, or
 - (ii) one hundred percent for all members.
- (d) Remuneration shall be paid in special drawing rights, provided that either the Fund or the member may decide that the payment to the member shall be made in its own currency.

Section 10—Computations

- (a) The value of the Fund's assets held in the accounts of the General Department shall be expressed in terms of the special drawing right.
- (b) All computations relating to currencies of members for the purpose of applying the provisions of this Agreement, except Article IV and Schedule C, shall be at the rates at which the Fund accounts for these currencies in accordance with Section 11 of this Article.
- (c) Computations for the determination of amounts of currency in relation to quota for the purpose of applying the provisions of this Agreement shall not include currency held in the Special Disbursement Account or in the Investment Account.

Section 11—Maintenance of value

- (a) The value of the currencies of members held in the General Resources Account shall be maintained in terms of the special drawing right in accordance with exchange rates under Article XIX, Section 7(a).
- (b) An adjustment in the Fund's holdings of a member's currency pursuant to this Section shall be made on the occasion of the use of that currency in an operation or transaction between the Fund and another member and at such other times as the Fund may decide or the member may request. Payments to or by the Fund in respect of an adjustment shall be made within a reasonable time, as determined by the Fund, after the date of adjustment, and at any other time requested by the member.

Section 12—Other operations and transactions

- (a) The Fund shall be guided in all its policies and decisions under this Section by the objectives set forth in Article VIII, Section 7 and by the objective of avoid-

- ing the management of the price, or the establishment of a fixed price, in the gold market.
- (b) Decisions of the Fund to engage in operations or transactions under (c), (d), and (e) below shall be made by an eighty-five percent majority of the total voting power.
 - (c) The Fund may sell gold for the currency of any member after consulting the member for whose currency the gold is sold, provided that the Fund's holdings of a member's currency held in the General Resources Account shall not be increased by the sale above the level at which they would be subject to charges under Section 8(b)(ii) of this Article without the concurrence of the member, and provided that, at the request of the member, the Fund at the time of sale shall exchange for the currency of another member such part of the currency received as would prevent such an increase. The exchange of a currency for the currency of another member shall be made after consultation with that member, and shall not increase the Fund's holdings of that member's currency above the level at which they would be subject to charges under Section 8(b)(ii) of this Article. The Fund shall adopt policies and procedures with regard to exchanges that take into account the principles applied under Section 7(i) of this Article. Sales under this provision to a member shall be at a price agreed for each transaction on the basis of prices in the market.
 - (d) The Fund may accept payments from a member in gold instead of special drawing rights or currency in any operations or transactions under this Agreement. Payments to the Fund under this provision shall be at a price agreed for each operation or transaction on the basis of prices in the market.
 - (e) The Fund may sell gold held by it on the date of the second amendment of this Agreement to those members that were members on August 31, 1975 and that agree to buy it, in proportion to their quotas on that date. If the Fund intends to sell gold under (c) above for the purpose of (f)(ii) below, it may sell to each developing member that agrees to buy it that portion of the gold which, if sold under (c) above, would have produced the excess that could have been distributed to it under (f)(iii) below. The gold that would be sold under this provision to a member that has been declared ineligible to use the general resources of the Fund under Section 5 of this Article shall be sold to it when the ineligibility ceases, unless the Fund decides to make the sale sooner. The sale of gold to a member under this subsection (e) shall be made in exchange for its currency and at a price equivalent at the time of sale to one special drawing right per 0.888 671 gram of fine gold.
 - (f) Whenever under (c) above the Fund sells gold held by it on the date of the second amendment of this Agreement, an amount of the proceeds equivalent at the time of sale to one special drawing right per 0.888 671 gram of fine gold shall be placed in the General Resources Account and, except as the Fund may decide otherwise under (g) below, any excess shall be held in the Special Disbursement Account. The assets held in the Special Disbursement Account shall

be held separately from the other accounts of the General Department, and may be used at any time:

- (i) to make transfers to the General Resources Account for immediate use in operations and transactions authorised by provisions of this Agreement other than this Section;
- (ii) for operations and transactions that are not authorised by other provisions of this Agreement but are consistent with the purposes of the Fund. Under this subsection (f)(ii) balance of payments assistance may be made available on special terms to developing members in difficult circumstances, and for this purpose the Fund shall take into account the level of per capita income;
- (iii) for distribution to those developing members that were members on August 31, 1975, in proportion to their quotas on that date, of such part of the assets that the Fund decides to use for the purposes of (ii) above as corresponds to the proportion of the quotas of these members on the date of distribution to the total of the quotas of all members on the same date, provided that the distribution under this provision to a member that has been declared ineligible to use the general resources of the Fund under Section 5 of this Article shall be made when the ineligibility ceases, unless the Fund decides to make the distribution sooner.

Decisions to use assets pursuant to (i) above shall be taken by a seventy percent majority of the total voting power, and decisions pursuant to (ii) and (iii) above shall be taken by an eighty-five percent majority of the total voting power.

- (g) The Fund may decide, by an eighty-five percent majority of the total voting power, to transfer a part of the excess referred to in (f) above to the Investment Account for use pursuant to the provisions of Article XII, Section 6(f).
- (h) Pending uses specified under (f) above, the Fund may use a member's currency held in the Special Disbursement Account for investment as it may determine, in accordance with rules and regulations adopted by the Fund by a seventy percent majority of the total voting power. The income of investment and interest received under (f)(ii) above shall be placed in the Special Disbursement Account.
- (i) The General Resources Account shall be reimbursed from time to time in respect of the expenses of administration of the Special Disbursement Account paid from the General Resources Account by transfers from the Special Disbursement Account on the basis of a reasonable estimate of such expenses.
- (j) The Special Disbursement Account shall be terminated in the event of the liquidation of the Fund and may be terminated prior to liquidation of the Fund by a seventy percent majority of the total voting power. Upon termination of the account because of the liquidation of the Fund, any assets in this account shall be distributed in accordance with the provisions of Schedule K. Upon termination prior to liquidation of the Fund, any assets in this account shall be

transferred to the General Resources Account for immediate use in operations and transactions. The Fund, by a seventy percent majority of the total voting power, shall adopt rules and regulations for the administration of the Special Disbursement Account.

- (k) Whenever under (c) above the Fund sells gold acquired by it after the date of the second amendment of this Agreement, an amount of the proceeds equivalent to the acquisition price of the gold shall be placed in the General Resources Account, and any excess shall be placed in the Investment Account for use pursuant to the provisions of Article XII, Section 6(f). If any gold acquired by the Fund after the date of the second amendment of this Agreement is sold after April 7, 2008 but prior to the date of entry into force of this provision, then, upon the entry into force of this provision, and notwithstanding the limit set forth in Article XII, Section 6(f)(ii), the Fund shall transfer to the Investment Account from the General Resources Account an amount equal to the proceeds of such sale less (i) the acquisition price of the gold sold, and (ii) any amount of such proceeds in excess of the acquisition price that may have already been transferred to the Investment Account prior to the date of entry into force of this provision.

Article VI

Capital transfers

Section 1—Use of the Fund’s general resources for capital transfers

- (a) A member may not use the Fund’s general resources to meet a large or sustained outflow of capital except as provided in Section 2 of this Article, and the Fund may request a member to exercise controls to prevent such use of the general resources of the Fund. If, after receiving such a request, a member fails to exercise appropriate controls, the Fund may declare the member ineligible to use the general resources of the Fund.
- (b) Nothing in this Section shall be deemed:
- (i) to prevent the use of the general resources of the Fund for capital transactions of reasonable amount required for the expansion of exports or in the ordinary course of trade, banking, or other business; or
 - (ii) to affect capital movements which are met out of a member’s own resources, but members undertake that such capital movements will be in accordance with the purposes of the Fund.

Section 2—Special provisions for capital transfers

A member shall be entitled to make reserve tranche purchases to meet capital transfers.

Section 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 VII Replenishment and scarce currencies

Section 1—Measures to replenish the Fund's holdings of currencies

The Fund may, if it deems such action appropriate to replenish its holdings of any member's currency in the General Resources Account needed in connection with its transactions, take either or both of the following steps:

- (i) propose to the member that, on terms and conditions agreed between the Fund and the member, the latter lend its currency to the Fund or that, with the concurrence of the member, the Fund borrow such currency from some other source either within or outside the territories of the member, but no member shall be under any obligation to make such loans to the Fund or to concur in the borrowing of its currency by the Fund from any other source;
- (ii) require the member, if it is a participant, to sell its currency to the Fund for special drawing rights held in the General Resources Account, subject to Article XIX, Section 4. In replenishing with special drawing rights, the Fund shall pay due regard to the principles of designation under Article XIX, Section 5.

Section 2—General scarcity of currency

If the Fund finds that a general scarcity of a particular currency is developing, the Fund may so inform members and may issue a report setting forth the causes of the scarcity and containing recommendations designed to bring it to an end. A representative of the member whose currency is involved shall participate in the preparation of the report.

Section 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 2 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 and Schedule C, 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.

Section 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.

Section 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.

Article VIII

General obligations of members

Section 1—Introduction

In addition to the obligations assumed under other articles of this Agreement, each member undertakes the obligations set out in this Article.

Section 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.
- (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.

Section 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 cur-

rency practices, whether within or outside margins under Article IV or prescribed by or under Schedule C, except as authorised 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 3 of that Article shall apply.

Section 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 special drawing rights, subject to Article XIX, Section 4, or in the currency of the member making the request.

- (b) The obligation in (a) above shall not apply when:
- (i) the convertibility of the balances has been restricted consistently with Section 2 of this Article or Article VI, Section 3;
 - (ii) 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;
 - (iii) the balances have been acquired contrary to the exchange regulations of the member which is asked to buy them;
 - (iv) the currency of the member requesting the purchase has been declared scarce under Article VII, Section 3(a); or
 - (v) 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.

Section 5—Furnishing of information

- (a) The Fund may require members to furnish it with such information as it deems necessary for its activities, 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; and
 - (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.
- (c) The Fund may arrange to obtain further information by agreement with members. It shall act as a centre for the collection and exchange of information on monetary and financial problems, thus facilitating the preparation of studies designed to assist members in developing policies which further the purposes of the Fund.

Section 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 shall 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.

Section 7—Obligation to collaborate regarding policies on reserve assets

Each member undertakes to collaborate with the Fund and with other members in order to ensure that the policies of the member with respect to reserve assets shall be consistent with the objectives of promoting better international surveillance of international liquidity and making the special drawing right the principal reserve asset in the international monetary system.

Article IX

Status, immunities, and privileges

Section 1—Purposes of Article

To enable the Fund to fulfil the functions with which it is entrusted, the status, immunities, and privileges set forth in this Article shall be accorded to the Fund in the territories of each member.

Section 2—Status of the Fund

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

- (i) to contract;
- (ii) to acquire and dispose of immovable and movable property; and
- (iii) to institute legal proceedings.

Section 3—Immunity from judicial process

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

Section 4—Immunity from other action

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

Section 5—Immunity of archives

The archives of the Fund shall be inviolable.

Section 6—Freedom of assets from restrictions

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

Section 7—Privilege for communications

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

Section 8—Immunities and privileges of officers and employees

All Governors, Executive Directors, Alternates, members of committees, representatives appointed under Article XII, Section 3(j), advisors of any of the foregoing persons, officers, and employees of the Fund:

- (i) shall be immune from legal process with respect to acts performed by them in their official capacity except when the Fund waives this immunity;
- (ii) not being local nationals, shall be granted the same immunities from immigration restrictions, alien registration requirements, and national service obligations and the same facilities as regards exchange restrictions as are accorded by members to the representatives, officials, and employees of comparable rank of other members; and
- (iii) shall be granted the same treatment in respect of travelling facilities as is accorded by members to representatives, officials, and employees of comparable rank of other members.

Section 9—Immunities from taxation

- (a) The Fund, its assets, property, income, and its operations and transactions authorized by this Agreement shall be immune from all taxation and from all customs duties. The Fund shall also be immune from liability for the collection or payment of any tax or duty.
- (b) No tax shall be levied on or in respect of salaries and emoluments paid by the Fund to Executive Directors, Alternates, officers, or employees of the Fund who are not local citizens, local subjects, or other local nationals.
- (c) No taxation of any kind shall be levied on any obligation or security issued by the Fund, including any dividend or interest thereon, by whomsoever held:
 - (i) which discriminates against such obligation or security solely because of its origin; or
 - (ii) if the sole jurisdictional basis for such taxation is the place or currency in which it is issued, made payable or paid, or the location of any office or place of business maintained by the Fund.

Section 10—Application of Article

Each member shall take such action as is necessary in its own territories for the purpose of making effective in terms of its own law the principles set forth in this Article and shall inform the Fund of the detailed action which it has taken.

Article X

Relations with other international organizations

The Fund shall cooperate within the terms of this Agreement with any general international organization and with public international organizations having specialized responsibilities in related fields. Any arrangements for such cooperation which would involve a modification of any provision of this Agreement may be effected only after amendment to this Agreement under Article XXVIII.

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.

Section 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 XII

Organization and management

Section 1—Structure of the Fund

The Fund shall have a Board of Governors, an Executive Board, a Managing Director, and a staff, and a Council if the Board of Governors decides, by an eighty-five per cent majority of the total voting power, that the provisions of Schedule D shall be applied.

Section 2—Board of Governors

- (a) All powers under this Agreement not conferred directly on the Board of Governors, the Executive Board, or the Managing Director shall be vested in the Board of Governors. The Board of Governors shall consist of one Governor and one Alternate appointed by each member in such manner as it may determine. Each Governor and each Alternate shall serve until a new appointment is made. No Alternate may vote except in the absence of his principal. The Board of Governors shall select one of the Governors as chairman.
- (b) The Board of Governors may delegate to the Executive Board authority to exercise any powers of the Board of Governors, except the powers conferred directly by this Agreement on the Board of Governors.
- (c) The Board of Governors shall hold such meetings as may be provided for by the Board of Governors or called by the Executive Board. Meetings of the Board of Governors shall be called whenever requested by fifteen members or by members having one-quarter of the total voting power.
- (d) A quorum for any meeting of the Board of Governors shall be a majority of the Governors having not less than two-thirds of the total voting power.
- (e) Each Governor shall be entitled to cast the number of votes allotted under Section 5 of this Article to the member appointing him.
- (f) The Board of Governors may by regulation establish a procedure whereby the Executive Board, when it deems such action to be in the best interests of the Fund, may obtain a vote of the Governors on a specific question without calling a meeting of the Board of Governors.
- (g) The Board of Governors, and the Executive Board to the extent authorized, may adopt such rules and regulations as may be necessary or appropriate to conduct the business of the Fund.
- (h) Governors and Alternates shall serve as such without compensation from the Fund, but the Fund may pay them reasonable expenses incurred in attending meetings.
- (i) The Board of Governors shall determine the remuneration to be paid to the Executive Directors and their Alternates and the salary and terms of the contract of service of the Managing Director.
- (j) The Board of Governors and the Executive Board may appoint such committees as they deem advisable. Membership of committees need not be limited to Governors or Executive Directors or their Alternates.

Section 3—Executive Board

- (a) The Executive Board shall be responsible for conducting the business of the Fund, and for this purpose shall exercise all the powers delegated to it by the Board of Governors.

- (b) Subject to (c) below, the Executive Board shall consist of twenty Executive Directors elected by the members, with the Managing Director as chairman.
- (c) For the purpose of each regular election of Executive Directors, the Board of Governors, by an eighty-five percent majority of the total voting power, may increase or decrease the number of Executive Directors specified in (b) above.
- (d) Elections of Executive Directors shall be conducted at intervals of two years in accordance with regulations which shall be adopted by the Board of Governors. Such regulations shall include a limit on the total number of votes that more than one member may cast for the same candidate.
- (e) Each Executive Director shall appoint an Alternate with full power to act for him when he is not present, provided that the Board of Governors may adopt rules enabling an Executive Director elected by more than a specified number of members to appoint two Alternates. Such rules, if adopted, may only be modified in the context of the regular election of Executive Directors and shall require an Executive Director appointing two Alternates to designate: (i) the Alternate who shall act for the Executive Director when he is not present and both Alternates are present and (ii) the Alternate who shall exercise the powers of the Executive Director under (f) below. When the Executive Directors appointing them are present, Alternates may participate in meetings but may not vote.
- (f) Executive Directors shall continue in office until their successors are elected. If the office of an Executive Director becomes vacant more than ninety days before the end of his term, another Executive Director shall be elected for the remainder of the term by the members that elected the former Executive Director. A majority of the votes cast shall be required for election. While the office remains vacant, the Alternate of the former Executive Director shall exercise his powers, except that of appointing an Alternate.
- (g) The Executive Board shall function in continuous session at the principal office of the Fund and shall meet as often as the business of the Fund may require.
- (h) A quorum for any meeting of the Executive Board shall be a majority of the Executive Directors having not less than one-half of the total voting power.
- (i)
 - (i) Each Executive Director shall be entitled to cast the number of votes which counted towards his election.
 - (ii) When the provisions of Section 5(b) of this Article are applicable, the votes which an Executive Director would otherwise be entitled to cast shall be increased or decreased correspondingly. All the votes which an Executive Director is entitled to cast shall be cast as a unit.
 - (iii) When the suspension of the voting rights of a member is terminated under Article XXVI, Section 2(b), the member may agree with all the members that have elected an Executive Director that the number of votes allotted to that member shall be cast by such Executive Director,

provided that, if no regular election of Executive Directors has been conducted during the period of the suspension, the Executive Director in whose election the member had participated prior to the suspension, or his successor elected in accordance with paragraph 3(c)(i) of Schedule L or with (f) above, shall be entitled to cast the number of votes allotted to the member. The member shall be deemed to have participated in the election of the Executive Director entitled to cast the number of votes allotted to the member.

- (j) The Board of Governors shall adopt regulations under which a member may send a representative to attend any meeting of the Executive Board when a request made by, or a matter particularly affecting, that member is under consideration.

Section 4—Managing Director and staff

- (a) The Executive Board shall select a Managing Director who shall not be a Governor or an Executive Director. The Managing Director shall be chairman of the Executive Board, but shall have no vote except a deciding vote in case of an equal division. He may participate in meetings of the Board of Governors, but shall not vote at such meetings. The Managing Director shall cease to hold office when the Executive Board so decides.
- (b) The Managing Director shall be chief of the operating staff of the Fund and shall conduct, under the direction of the Executive Board, the ordinary business of the Fund. Subject to the general control of the Executive Board, he shall be responsible for the organization, appointment, and dismissal of the staff of the Fund.
- (c) The Managing Director and the staff of the Fund, in the discharge of their functions, shall owe their duty entirely to the Fund and to no other authority. Each member of the Fund shall respect the international character of this duty and shall refrain from all attempts to influence any of the staff in the discharge of these functions.
- (d) In appointing the staff the Managing Director shall, subject to the paramount importance of securing the highest standard of efficiency and of technical competence, pay due regard to the importance of recruiting personnel on as wide a geographical basis as possible.

Section 5—Voting

- (a) The total votes of each member shall be equal to the sum of its basic votes and its quota-based votes.
 - (i) The basic votes of each member shall be the number of votes that results from the equal distribution among all the members of 5.502 percent of

the aggregate sum of the total voting power of all the members, provided that there shall be no fractional basic votes.

- (ii) The quota-based votes of each member shall be the number of votes that results from the allocation of one vote for each part of its quota equivalent to one hundred thousand special drawing rights.
- (b) Whenever voting is required under Article V, Section 4 or 5, each member shall have the number of votes to which it is entitled under (a) above adjusted:
- (i) by the addition of one vote for the equivalent of each four hundred thousand special drawing rights of net sales of its currency from the general resources of the Fund up to the date when the vote is taken, or
 - (ii) by the subtraction of one vote for the equivalent of each four hundred thousand special drawing rights of its net purchases under Article V, Section 3(b) and (f) up to the date when the vote is taken,
- provided that neither net purchases nor net sales shall be deemed at any time to exceed an amount equal to the quota of the member involved.
- (c) Except as otherwise specifically provided, all decisions of the Fund shall be made by a majority of the votes cast.

Section 6—Reserves, distribution of net income, and investment

- (a) The Fund shall determine annually what part of its net income shall be placed to general reserve or special reserve, and what part, if any, shall be distributed.
- (b) The Fund may use the special reserve for any purpose for which it may use the general reserve, except distribution.
- (c) If any distribution is made of the net income of any year, it shall be made to all members in proportion to their quotas.
- (d) The Fund, by a seventy percent majority of the total voting power, may decide at any time to distribute any part of the general reserve. Any such distribution shall be made to all members in proportion to their quotas.
- (e) Payments under (c) and (d) above shall be made in special drawing rights, provided that either the Fund or the member may decide that the payment to the member shall be made in its own currency.
- (f)
 - (i) The Fund may establish an Investment Account for the purposes of this subsection (f). The assets of the Investment Account shall be held separately from the other accounts of the General Department.
 - (ii) The Fund may decide to transfer to the Investment Account a part of the proceeds of the sale of gold in accordance with Article V, Section 12(g) and, by a seventy percent majority of the total voting power, may decide to transfer to the Investment Account, for immediate investment, currencies held in the General Resources Account. The amount of these transfers shall not exceed the total amount of the general reserve and the special reserve at the time of the decision.

- (iii) The Fund may use a member's currency held in the Investment Account for investment as it may determine, in accordance with rules and regulations adopted by the Fund by a seventy percent majority of the total voting power. The rules and regulations adopted pursuant to this provision shall be consistent with (vii), (viii), and (ix) below.
- (iv) The income of investment may be invested in accordance with the provisions of this subsection (f). Income not invested shall be held in the Investment Account or may be used for meeting the expenses of conducting the business of the Fund.
- (v) The Fund may use a member's currency held in the Investment Account to obtain the currencies needed to meet the expenses of conducting the business of the Fund.
- (vi) The Investment Account shall be terminated in the event of liquidation of the Fund and may be terminated, or the amount of the investment may be reduced, prior to liquidation of the Fund by a seventy percent majority of the total voting power.
- (vii) Upon termination of the Investment Account because of liquidation of the Fund, any assets in this account shall be distributed in accordance with the provisions of Schedule K, provided that a portion of these assets corresponding to the proportion of the assets transferred to this account under Article V, Section 12(g) to the total of the assets transferred to this account shall be deemed to be assets held in the Special Disbursement Account and shall be distributed in accordance with Schedule K, paragraph 2(a)(ii).
- (viii) Upon termination of the Investment Account prior to liquidation of the Fund, a portion of the assets held in this account corresponding to the proportion of the assets transferred to this account under Article V, Section 12(g) to the total of the assets transferred to the account shall be transferred to the Special Disbursement Account if it has not been terminated, and the balance of the assets held in the Investment Account shall be transferred to the General Resources Account for immediate use in operations and transactions.
- (ix) On a reduction of the amount of the investment by the Fund, a portion of the reduction corresponding to the proportion of the assets transferred to the Investment Account under Article V, Section 12(g) to the total of the assets transferred to this account shall be transferred to the Special Disbursement Account if it has not been terminated, and the balance of the reduction shall be transferred to the General Resources Account for immediate use in operations and transactions.

Section 7—Publication of reports

- (a) The Fund shall publish an annual report containing an audited statement of its accounts, and shall issue, at intervals of three months or less, a summary state-

ment of its operations and transactions and its holdings of special drawing rights, gold, and currencies of members.

- (b) The Fund may publish such other reports as it deems desirable for carrying out its purposes.

Section 8—Communication of views to members

The Fund shall at all times have the right to communicate its views informally to any member on any matter arising under this Agreement. The Fund may, by a seventy percent majority of the total voting power, decide to publish a report made to a member regarding its monetary or economic conditions and developments which directly tend to produce a serious disequilibrium in the international balance of payments of members. The relevant member shall be entitled to representation in accordance with Section 3(j) of this Article. The Fund shall not publish a report involving changes in the fundamental structure of the economic organization of members.

Article XIII Offices and depositories

Section 1—Location of offices

The principal office of the Fund shall be located in the territory of the member having the largest quota, and agencies or branch offices may be established in the territories of other members.

Section 2—Depositories

- (a) Each member shall designate its central bank as a depository for all the Fund's holdings of its currency, or if it has no central bank it shall designate such other institution as may be acceptable to the Fund.
- (b) The Fund may hold other assets, including gold, in the depositories designated by the five members having the largest quotas and in such other designated depositories as the Fund may select. Initially, at least one-half of the holdings of the Fund shall be held in the depository designated by the member in whose territories the Fund has its principal office and at least forty percent shall be held in the depositories designated by the remaining four members referred to above. However, all transfers of gold by the Fund shall be made with due regard to the costs of transport and anticipated requirements of the Fund. In an emergency the Executive Board may transfer all or any part of the Fund's gold holdings to any place where they can be adequately protected.

Section 3—Guarantee of the Fund's assets

Each member guarantees all assets of the Fund against loss resulting from failure or default on the part of the depository designated by it.

Article XIV

Transitional arrangements

Section 1—Notification to the Fund

Each member shall notify 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 these obligations.

Section 2—Exchange restrictions

A member that has notified the Fund that it intends to avail itself of transitional arrangements under this provision may, notwithstanding the provisions of any other articles of this Agreement, maintain and adapt to changing circumstances the restrictions on payments and transfers for current international transactions that were in effect on the date on which it became a member. 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 promotion of a stable system of exchange rates. In particular, members shall withdraw restrictions maintained 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 general resources of the Fund.

Section 3—Action of the Fund relating to restrictions

The Fund shall make annual reports on the restrictions in force under Section 2 of this Article. Any member retaining any restrictions inconsistent with Article VIII, Sections 2, 3, or 4 shall consult the Fund annually 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 favourable for the withdrawal of any particular restriction, or for the general abandonment of restrictions, inconsistent with the provisions of any other articles 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 XXVI, Section 2(a).

Article XV

Special drawing rights

Section 1—Authority to allocate special drawing rights

- (a) To meet the need, as and when it arises, for a supplement to existing reserve assets, the Fund is authorized to allocate special drawing rights in accordance

with the provisions of Article XVIII to members that are participants in the Special Drawing Rights Department.

- (b) In addition, the Fund shall allocate special drawing rights to members that are participants in the Special Drawing Rights Department in accordance with the provisions of Schedule M.

Section 2—Valuation of the special drawing right

The method of valuation of the special drawing right shall be determined by the Fund by a seventy percent majority of the total voting power, provided, however, that an eighty-five percent majority of the total voting power shall be required for a change in the principle of valuation or a fundamental change in the application of the principle in effect.

Article XVI

General Department and Special Drawing Rights Department

Section 1—Separation of operations and transactions

All operations and transactions involving special drawing rights shall be conducted through the Special Drawing Rights Department. All other operations and transactions on the account of the Fund authorized by or under this Agreement shall be conducted through the General Department. Operations and transactions pursuant to Article XVII, Section 2 shall be conducted through the General Department as well as the Special Drawing Rights Department.

Section 2—Separation of assets and property

All assets and property of the Fund, except resources administered under Article V, Section 2(b), shall be held in the General Department, provided that assets and property acquired under Article XX, Section 2 and Articles XXIV and XXV and Schedules H and I shall be held in the Special Drawing Rights Department. Any assets or property held in one Department shall not be available to discharge or meet the liabilities, obligations, or losses of the Fund incurred in the conduct of the operations and transactions of the other Department, except that the expenses of conducting the business of the Special Drawing Rights Department shall be paid by the Fund from the General Department which shall be reimbursed in special drawing rights from time to time by assessments under Article XX, Section 4 made on the basis of a reasonable estimate of such expenses.

Section 3—Recording and information

All changes in holdings of special drawing rights shall take effect only when recorded by the Fund in the Special Drawing Rights Department. Participants shall notify the Fund of the provisions of this Agreement under which special drawing rights are used. The Fund may require participants to furnish it with such other information as it deems necessary for its functions.

Article XVII

Participants and other holders of special drawing rights

Section 1—Participants

Each member of the Fund that deposits with the Fund an instrument setting forth that it undertakes all the obligations of a participant in the Special Drawing Rights Department in accordance with its law and that it has taken all steps necessary to enable it to carry out all of these obligations shall become a participant in the Special Drawing Rights Department as of the date the instrument is deposited, except that no member shall become a participant before the provisions of this Agreement pertaining exclusively to the Special Drawing Rights Department have entered into force and instruments have been deposited under this Section by members that have at least seventy-five percent of the total of quotas.

Section 2—Fund as a holder

The Fund may hold special drawing rights in the General Resources Account and may accept and use them in operations and transactions conducted through the General Resources Account with participants in accordance with the provisions of this Agreement or with prescribed holders in accordance with the terms and conditions prescribed under Section 3 of this Article.

Section 3—Other holders

The Fund may prescribe:

- (i) as holders, non-members, members that are non-participants, institutions that perform functions of a central bank for more than one member, and other official entities;
- (ii) the terms and conditions on which prescribed holders may be permitted to hold special drawing rights and may accept and use them in operations and transactions with participants and other prescribed holders; and
- (iii) the terms and conditions on which participants and the Fund through the General Resources Account may enter into operations and transactions in special drawing rights with prescribed holders.

An eighty-five percent majority of the total voting power shall be required for prescriptions under (i) above. The terms and conditions prescribed by the Fund shall be consistent with the provisions of this Agreement and the effective functioning of the Special Drawing Rights Department.

Article XVIII

Allocation and cancellation of special drawing rights

Section 1—Principles and considerations governing allocation and cancellation

- (a) In all its decisions with respect to the allocation and cancellation of special drawing rights the Fund shall seek to meet the long-term global need, as and when it arises, to supplement existing reserve assets in such manner as will promote the attainment of its purposes and will avoid economic stagnation and deflation as well as excess demand and inflation in the world.
- (b) The first decision to allocate special drawing rights shall take into account, as special considerations, a collective judgment that there is a global need to supplement reserves, and the attainment of a better balance of payments equilibrium, as well as the likelihood of a better working of the adjustment process in the future

Section 2—Allocation and cancellation

- (a) Decisions of the Fund to allocate or cancel special drawing rights shall be made for basic periods which shall run consecutively and shall be five years in duration. The first basic period shall begin on the date of the first decision to allocate special drawing rights or such later date as may be specified in that decision. Any allocations or cancellations shall take place at yearly intervals.
- (b) The rates at which allocations are to be made shall be expressed as percentages of quotas on the date of each decision to allocate. The rates at which special drawing rights are to be cancelled shall be expressed as percentages of net cumulative allocations of special drawing rights on the date of each decision to cancel. The percentages shall be the same for all participants.
- (c) In its decision for any basic period the Fund may provide, notwithstanding (a) and (b) above, that:
 - (i) the duration of the basic period shall be other than five years; or
 - (ii) the allocations or cancellations shall take place at other than yearly intervals; or
 - (iii) the basis for allocations or cancellations shall be the quotas or net cumulative allocations on dates other than the dates of decisions to allocate or cancel.
- (d) A member that becomes a participant after a basic period starts shall receive allocations beginning with the next basic period in which allocations are made after it becomes a participant unless the Fund decides that the new participant shall start to receive allocations beginning with the next allocation after it becomes a participant. If the Fund decides that a member that becomes a participant during a basic period shall receive allocations during the remainder of

that basic period and the participant was not a member on the dates established under (b) or (c) above, the Fund shall determine the basis on which these allocations to the participant shall be made.

- (e) A participant shall receive allocations of special drawing rights made pursuant to any decision to allocate unless:
 - (i) the Governor for the participant did not vote in favour of the decision; and
 - (ii) the participant has notified the Fund in writing prior to the first allocation of special drawing rights under that decision that it does not wish special drawing rights to be allocated to it under the decision. On the request of a participant, the Fund may decide to terminate the effect of the notice with respect to allocations of special drawing rights subsequent to the termination.
- (f) If on the effective date of any cancellation the amount of special drawing rights held by a participant is less than its share of the special drawing rights that are to be cancelled, the participant shall eliminate its negative balance as promptly as its gross reserve position permits and shall remain in consultation with the Fund for this purpose. Special drawing rights acquired by the participant after the effective date of the cancellation shall be applied against its negative balance and cancelled.

Section 3—Unexpected major developments

The Fund may change the rates or intervals of allocation or cancellation during the rest of a basic period or change the length of a basic period or start a new basic period, if at any time the Fund finds it desirable to do so because of unexpected major developments.

Section 4—Decisions on allocations and cancellations

- (a) Decisions under Section 2(a), (b), and (c) or Section 3 of this Article shall be made by the Board of Governors on the basis of proposals of the Managing Director concurred in by the Executive Board.
- (b) Before making any proposal, the Managing Director, after having satisfied himself that it will be consistent with the provisions of Section 1(a) of this Article, shall conduct such consultations as will enable him to ascertain that there is broad support among participants for the proposal. In addition, before making a proposal for the first allocation, the Managing Director shall satisfy himself that the provisions of Section 1(b) of this Article have been met and that there is broad support among participants to begin allocations; he shall make a proposal for the first allocation as soon after the establishment of the Special Drawing Rights Department as he is so satisfied.
- (c) The Managing Director shall make proposals:
 - (i) not later than six months before the end of each basic period;

- (ii) if no decision has been taken with respect to allocation or cancellation for a basic period, whenever he is satisfied that the provisions of (b) above have been met;
- (iii) when, in accordance with Section 3 of this Article, he considers that it would be desirable to change the rate or intervals of allocation or cancellation or change the length of a basic period or start a new basic period; or
- (iv) within six months of a request by the Board of Governors or the Executive Board;

provided that, if under (i), (iii), or (iv) above the Managing Director ascertains that there is no proposal which he considers to be consistent with the provisions of Section 1 of this Article that has broad support among participants in accordance with (b) above, he shall report to the Board of Governors and to the Executive Board.

- (d) An eighty-five percent majority of the total voting power shall be required for decisions under Section 2(a), (b), and (c) or Section 3 of this Article except for decisions under Section 3 with respect to a decrease in the rates of allocation.

Article XIX

Operations and transactions in special drawing rights

Section 1—Use of special drawing rights

Special drawing rights may be used in the operations and transactions authorized by or under this Agreement.

Section 2—Operations and transactions between participants

- (a) A participant shall be entitled to use its special drawing rights to obtain an equivalent amount of currency from a participant designated under Section 5 of this Article.
- (b) A participant, in agreement with another participant, may use its special drawing rights to obtain an equivalent amount of currency from the other participant.
- (c) The Fund, by a seventy percent majority of the total voting power, may prescribe operations in which a participant is authorized to engage in agreement with another participant on such terms and conditions as the Fund deems appropriate. The terms and conditions shall be consistent with the effective functioning of the Special Drawing Rights Department and the proper use of special drawing rights in accordance with this Agreement.
- (d) The Fund may make representations to a participant that enters into any operation or transaction under (b) or (c) above that in the judgment of the Fund may be prejudicial to the process of designation according to the principles of Sec-

tion 5 of this Article or is otherwise inconsistent with Article XXII. A participant that persists in entering into such operations or transactions shall be subject to Article XXIII, Section 2(b).

Section 3—Requirement of need

- (a) In transactions under Section 2(a) of this Article, except as otherwise provided in (c) below, a participant will be expected to use its special drawing rights only if it has a need because of its balance of payments or its reserve position or developments in its reserves, and not for the sole purpose of changing the composition of its reserves.
- (b) The use of special drawing rights shall not be subject to challenge on the basis of the expectation in (a) above, but the Fund may make representations to a participant that fails to fulfill this expectation. A participant that persists in failing to fulfill this expectation shall be subject to Article XXIII, Section 2(b).
- (c) The Fund may waive the expectation in (a) above in any transactions in which a participant uses special drawing rights to obtain an equivalent amount of currency from a participant designated under Section 5 of this Article that would promote reconstitution by the other participant under Section 6(a) of this Article; prevent or reduce a negative balance of the other participant; or offset the effect of a failure by the other participant to fulfil the expectation in (a) above.

Section 4—Obligation to provide currency

- (a) A participant designated by the Fund under Section 5 of this Article shall provide on demand a freely usable currency to a participant using special drawing rights under Section 2(a) of this Article. A participant's obligation to provide currency shall not extend beyond the point at which its holdings of special drawing rights in excess of its net cumulative allocation are equal to twice its net cumulative allocation or such higher limit as may be agreed between a participant and the Fund.
- (b) A participant may provide currency in excess of the obligatory limit or any agreed higher limit.

Section 5—Designation of participants to provide currency

- (a) The Fund shall ensure that a participant will be able to use its special drawing rights by designating participants to provide currency for specified amounts of special drawing rights for the purposes of Sections 2(a) and 4 of this Article. Designations shall be made in accordance with the following general principles supplemented by such other principles as the Fund may adopt from time to time:
 - (i) A participant shall be subject to designation if its balance of payments and gross reserve position is sufficiently strong, but this will not preclude the possibility that a participant with a strong reserve position will be designated even though it has a moderate balance of payments deficit.

Participants shall be designated in such manner as will promote over time a balanced distribution of holdings of special drawing rights among them.

- (ii) Participants shall be subject to designation in order to promote reconstitution under Section 6(a) of this Article, to reduce negative balances in holdings of special drawing rights, or to offset the effect of failures to fulfill the expectation in Section 3(a) of this Article.
 - (iii) In designating participants, the Fund normally shall give priority to those that need to acquire special drawing rights to meet the objectives of designation under (ii) above.
- (b) In order to promote over time a balanced distribution of holdings of special drawing rights under (a)(i) above, the Fund shall apply the rules for designation in Schedule F or such rules as may be adopted under (c) below.
- (c) The rules for designation may be reviewed at any time and new rules shall be adopted if necessary. Unless new rules are adopted, the rules in force at the time of the review shall continue to apply.

Section 6—Reconstitution

- (a) Participants that use their special drawing rights shall reconstitute their holdings of them in accordance with the rules for reconstitution in Schedule G or such rules as may be adopted under (b) below.
- (b) The rules for reconstitution may be reviewed at any time and new rules shall be adopted if necessary. Unless new rules are adopted or a decision is made to abrogate rules for reconstitution, the rules in force at the time of review shall continue to apply. A seventy percent majority of the total voting power shall be required for decisions to adopt, modify, or abrogate the rules for reconstitution.

Section 7—Exchange rates

- (a) Except as otherwise provided in (b) below, the exchange rates for transactions between participants under Section 2(a) and (b) of this Article shall be such that participants using special drawing rights shall receive the same value whatever currencies might be provided and whichever participants provide those currencies, and the Fund shall adopt regulations to give effect to this principle.
- (b) The Fund, by an eighty-five percent majority of the total voting power, may adopt policies under which in exceptional circumstances the Fund, by a seventy percent majority of the total voting power, may authorize participants entering into transactions under Section 2(b) of this Article to agree on exchange rates other than those applicable under (a) above.
- (c) The Fund shall consult a participant on the procedure for determining rates of exchange for its currency.

- (d) For the purpose of this provision the term participant includes a terminating participant.

Article XX

Special Drawing Rights Department interest and charges

Section 1—Interest

Interest at the same rate for all holders shall be paid by the Fund to each holder on the amount of its holdings of special drawing rights. The Fund shall pay the amount due to each holder whether or not sufficient charges are received to meet the payment of interest.

Section 2—Charges

Charges at the same rate for all participants shall be paid to the Fund by each participant on the amount of its net cumulative allocation of special drawing rights plus any negative balance of the participant or unpaid charges.

Section 3—Rate of interest and charges

The Fund shall determine the rate of interest by a seventy percent majority of the total voting power. The rate of charges shall be equal to the rate of interest.

Section 4—Assessments

When it is decided under Article XVI, Section 2 that reimbursement shall be made, the Fund shall levy assessments for this purpose at the same rate for all participants on their net cumulative allocations.

Section 5—Payment of interest, charges, and assessments

Interest, charges, and assessments shall be paid in special drawing rights. A participant that needs special drawing rights to pay any charge or assessment shall be obligated and entitled to obtain them, for currency acceptable to the Fund, in a transaction with the Fund conducted through the General Resources Account. If sufficient special drawing rights cannot be obtained in this way, the participant shall be obligated and entitled to obtain them with a freely usable currency from a participant which the Fund shall specify. Special drawing rights acquired by a participant after the date for payment shall be applied against its unpaid charges and cancelled.

Article XXI

Administration of the General Department and the Special Drawing Rights Department

- (a) The General Department and the Special Drawing Rights Department shall be administered in accordance with the provisions of Article XII, subject to the following provisions:

- (i) For meetings of or decisions by the Board of Governors on matters pertaining exclusively to the Special Drawing Rights Department only requests by, or the presence and the votes of, Governors appointed by members that are participants shall be counted for the purpose of calling meetings and determining whether a quorum exists or whether a decision is made by the required majority.
 - (ii) For decisions by the Executive Board on matters pertaining exclusively to the Special Drawing Rights Department only Executive Directors elected by at least one member that is a participant shall be entitled to vote. Each of these Executive Directors shall be entitled to cast the number of votes allotted to the members that are participants whose votes counted towards his election. Only the presence of Executive Directors elected by members that are participants and the votes allotted to members that are participants shall be counted for the purpose of determining whether a quorum exists or whether a decision is made by the required majority.
 - (iii) Questions of the general administration of the Fund, including reimbursement under Article XVI, Section 2, and any question whether a matter pertains to both Departments or exclusively to the Special Drawing Rights Department shall be decided as if they pertained exclusively to the General Department. Decisions with respect to the method of valuation of the special drawing right, the acceptance and holding of special drawing rights in the General Resources Account of the General Department and the use of them, and other decisions affecting the operations and transactions conducted through both the General Resources Account of the General Department and the Special Drawing Rights Department shall be made by the majorities required for decisions on matters pertaining exclusively to each Department. A decision on a matter pertaining to the Special Drawing Rights Department shall so indicate.
- (b) In addition to the privileges and immunities that are accorded under Article IX of this Agreement, no tax of any kind shall be levied on special drawing rights or on operations or transactions in special drawing rights.
 - (c) A question of interpretation of the provisions of this Agreement on matters pertaining exclusively to the Special Drawing Rights Department shall be submitted to the Executive Board pursuant to Article XXIX(a) only on the request of a participant. In any case where the Executive Board has given a decision on a question of interpretation pertaining exclusively to the Special Drawing Rights Department only a participant may require that the question be referred to the Board of Governors under Article XXIX(b). The Board of Governors shall decide whether a Governor appointed by a member that is not a participant shall be entitled to vote in the Committee on Interpretation on questions pertaining exclusively to the Special Drawing Rights Department.

- (d) Whenever a disagreement arises between the Fund and a participant that has terminated its participation in the Special Drawing Rights Department or between the Fund and any participant during the liquidation of the Special Drawing Rights Department with respect to any matter arising exclusively from participation in the Special Drawing Rights Department, the disagreement shall be submitted to arbitration in accordance with the procedures in Article XXIX(c).

Article XXII

General obligations of participants

In addition to the obligations assumed with respect to special drawing rights under other articles of this Agreement, each participant undertakes to collaborate with the Fund and with other participants in order to facilitate the effective functioning of the Special Drawing Rights Department and the proper use of special drawing rights in accordance with this Agreement and with the objective of making the special drawing right the principal reserve asset in the international monetary system.

Article XXIII

Suspension of operations and transactions in special drawing rights

Section 1—Emergency provisions

In the event of an emergency or the development of unforeseen circumstances threatening the activities of the Fund with respect to the Special Drawing Rights Department, the Executive Board, by an eighty-five percent majority of the total voting power, may suspend for a period of not more than one year the operation of any of the provisions relating to operations and transactions in special drawing rights, and the provisions of Article XXVII, Section 1(b), (c), and (d) shall then apply.

Section 2—Failure to fulfill obligations

- (a) If the Fund finds that a participant has failed to fulfill its obligations under Article XIX, Section 4, the right of the participant to use its special drawing rights shall be suspended unless the Fund otherwise decides.
- (b) If the Fund finds that a participant has failed to fulfill any other obligation with respect to special drawing rights, the Fund may suspend the right of the participant to use special drawing rights it acquires after the suspension.
- (c) Regulations shall be adopted to ensure that before action is taken against any participant under (a) or (b) above, the participant shall be informed immediately of the complaint against it and given an adequate opportunity for stating its case, both orally and in writing. Whenever the participant is thus informed of a complaint relating to (a) above, it shall not use special drawing rights pending the disposition of the complaint.

- (d) Suspension under (a) or (b) above or limitation under (c) above shall not affect a participant's obligation to provide currency in accordance with Article XIX, Section 4.
- (e) The Fund may at any time terminate a suspension under (a) or (b) above, provided that a suspension imposed on a participant under (b) above for failure to fulfill the obligations under Article XIX, Section (6)(a) shall not be terminated until one hundred eighty days after the end of the first calendar quarter during which the participant complies with the rules for reconstitution.
- (f) The right of a participant to use its special drawing rights shall not be suspended because it has become ineligible to use the Fund's general resources under Article V, Section 5, Article VI, Section 1, or Article XXVI, Section 2(a). Article XXVI, Section 2 shall not apply because a participant has failed to fulfill any obligations with respect to special drawing rights.

Article XXIV

Termination of participation

Section 1—Right to terminate participation

- (a) Any participant may terminate its participation in the Special Drawing Rights Department at any time by transmitting a notice in writing to the Fund at its principal office. Termination shall become effective on the date the notice is received.
- (b) A participant that withdraws from membership in the Fund shall be deemed to have simultaneously terminated its participation in the Special Drawing Rights Department.

Section 2—Settlement on termination

- (a) When a participant terminates its participation in the Special Drawing Rights Department, all operations and transactions by the terminating participant in special drawing rights shall cease except as otherwise permitted under an agreement made pursuant to (c) below in order to facilitate a settlement or as provided in Sections 3, 5, and 6 of this Article or in Schedule H. Interest and charges that accrued to the date of termination and assessments levied before that date but not paid shall be paid in special drawing rights.
- (b) The Fund shall be obligated to redeem all special drawing rights held by the terminating participant, and the terminating participant shall be obligated to pay to the Fund an amount equal to its net cumulative allocation and any other amounts that may be due and payable because of its participation in the Special Drawing Rights Department. These obligations shall be set off against each other and the amount of special drawing rights held by the terminating participant that is used in the setoff to extinguish its obligation to the Fund shall be cancelled.

- (c) A settlement shall be made with reasonable despatch by agreement between the terminating participant and the Fund with respect to any obligation of the terminating participant or the Fund after the setoff in (b) above. If agreement on a settlement is not reached promptly the provisions of Schedule H shall apply.

Section 3—Interest and charges

After the date of termination the Fund shall pay interest on any outstanding balance of special drawing rights held by a terminating participant, and the terminating participant shall pay charges on any outstanding obligation owed to the Fund at the times and rates prescribed under Article XX. Payment shall be made in special drawing rights. A terminating participant shall be entitled to obtain special drawing rights with a freely usable currency to pay charges or assessments in a transaction with a participant specified by the Fund or by agreement from any other holder, or to dispose of special drawing rights received as interest in a transaction with any participant designated under Article XIX, Section 5 or by agreement with any other holder.

Section 4—Settlement of obligation to the Fund

Currency received by the Fund from a terminating participant shall be used by the Fund to redeem special drawing rights held by participants in proportion to the amount by which each participant's holdings of special drawing rights exceed its net cumulative allocation at the time the currency is received by the Fund. Special drawing rights so redeemed and special drawing rights obtained by a terminating participant under the provisions of this Agreement to meet any installment due under an agreement on settlement or under Schedule H and set off against that installment shall be cancelled.

Section 5—Settlement of obligation to a terminating participant

Whenever the Fund is required to redeem special drawing rights held by a terminating participant, redemption shall be made with currency provided by participants specified by the Fund. These participants shall be specified in accordance with the principles in Article XIX, Section 5. Each specified participant shall provide at its option the currency of the terminating participant or a freely usable currency to the Fund and shall receive an equivalent amount of special drawing rights. However, a terminating participant may use its special drawing rights to obtain its own currency, a freely usable currency, or any other asset from any holder, if the Fund so permits.

Section 6—General Resources Account transactions

In order to facilitate settlement with a terminating participant, the Fund may decide that a terminating participant shall

- (i) use any special drawing rights held by it after the setoff in Section 2(b) of this Article, when they are to be redeemed, in a transaction with the Fund conducted through the General Resources Account to obtain its own currency or a freely usable currency at the option of the Fund, or

- (ii) obtain special drawing rights in a transaction with the Fund conducted through the General Resources Account for a currency acceptable to the Fund to meet any charges or installment due under an agreement or the provisions of Schedule H.

Article XXV

Liquidation of the Special Drawing Rights Department

- (a) The Special Drawing Rights Department may not be liquidated except by decision of the Board of Governors. In an emergency, if the Executive Board decides that liquidation of the Special Drawing Rights Department may be necessary, it may temporarily suspend allocations or cancellations and all operations and transactions in special drawing rights pending decision by the Board of Governors. A decision by the Board of Governors to liquidate the Fund shall be a decision to liquidate both the General Department and the Special Drawing Rights Department.
- (b) If the Board of Governors decides to liquidate the Special Drawing Rights Department, all allocations or cancellations and all operations and transactions in special drawing rights and the activities of the Fund with respect to the Special Drawing Rights Department shall cease except those incidental to the orderly discharge of the obligations of participants and of the Fund with respect to special drawing rights, and all obligations of the Fund and of participants under this Agreement with respect to special drawing rights shall cease except those set out in this Article, Article XX, Article XXI (d), Article XXIV, Article XXIX (c), and Schedule H, or any agreement reached under Article XXIV subject to paragraph 4 of Schedule H, and Schedule I.
- (c) Upon liquidation of the Special Drawing Rights Department, interest and charges that accrued to the date of liquidation and assessments levied before that date but not paid shall be paid in special drawing rights. The Fund shall be obligated to redeem all special drawing rights held by holders, and each participant shall be obligated to pay the Fund an amount equal to its net cumulative allocation of special drawing rights and such other amounts as may be due and payable because of its participation in the Special Drawing Rights Department.
- (d) Liquidation of the Special Drawing Rights Department shall be administered in accordance with the provisions of Schedule I.

Article XXVI

Withdrawal from membership

Section 1—Right of members to withdraw

Any member may withdraw from the Fund at any time by transmitting a notice in writing to the Fund at its principal office. Withdrawal shall become effective on the date such notice is received.

Section 2—Compulsory withdrawal

- (a) If a member fails to fulfill any of its obligations under this Agreement, the Fund may declare the member ineligible to use the general resources of the Fund. Nothing in this Section shall be deemed to limit the provisions of Article V, Section 5 or Article VI, Section 1.
- (b) If, after the expiration of a reasonable period following a declaration of ineligibility under (a) above, the member persists in its failure to fulfil any of its obligations under this Agreement, the Fund may, by a seventy percent majority of the total voting power, suspend the voting rights of the member. During the period of the suspension, the provisions of Schedule L shall apply. The Fund may, by a 70 percent majority of the total voting power, terminate the suspension at any time.
- (c) If, after the expiration of a reasonable period following a decision of suspension under (b) above, the member persists in its failure to fulfil any of its obligations under this Agreement, that member may be required to withdraw from membership in the Fund by a decision of the Board of Governors carried by a majority of the Governors having 85 percent of the total voting power.
- (d) Regulations shall be adopted to ensure that before action is taken against any member under (a), (b), or (c) above, the member shall be informed in reasonable time of the complaint against it and given an adequate opportunity for stating its case, both orally and in writing.

Section 3—Settlement of accounts with members withdrawing

When a member withdraws from the Fund, normal operations and transactions of the Fund in its currency shall cease and settlement of all accounts between it and the Fund shall be made with reasonable despatch by agreement between it and the Fund. If agreement is not reached promptly, the provisions of Schedule J shall apply to the settlement of accounts.

Article XXVII

Emergency provisions

Section 1—Temporary suspension

- (a) In the event of an emergency or the development of unforeseen circumstances threatening the activities of the Fund, the Executive Board, by an eighty-five percent majority of the total voting power, may suspend for a period of not more than one year the operation of any of the following provisions:
 - (i) Article V, Sections 2, 3, 7, 8(a)(i) and (e);
 - (ii) Article VI, Section 2;
 - (iii) Article XI, Section 1;
 - (iv) Schedule C, paragraph 5.

- (b) A suspension of the operation of a provision under (a) above may not be extended beyond one year except by the Board of Governors which, by an eighty-five percent majority of the total voting power, may extend a suspension for an additional period of not more than two years if it finds that the emergency or unforeseen circumstances referred to in (a) above continue to exist.
- (c) The Executive Board may, by a majority of the total voting power, terminate such suspension at any time.
- (d) The Fund may adopt rules with respect to the subject matter of a provision during the period in which its operation is suspended.

Section 2—Liquidation of the Fund

- (a) The Fund may not be liquidated except by decision of the Board of Governors. In an emergency, if the Executive Board decides that liquidation of the Fund may be necessary, it may temporarily suspend all operations and transactions, pending decision by the Board of Governors.
- (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 XXIX(c), in Schedule J, paragraph 7, and in Schedule K.
- (c) Liquidation shall be administered in accordance with the provisions of Schedule K.

Article XXVIII Amendments

- (a) Any proposal to introduce modifications in this Agreement, whether emanating from a member, a Governor, or the Executive Board, shall be communicated to the chairman of the Board of Governors who shall bring the proposal before the Board of Governors. If the proposed amendment is approved by the Board of Governors, the Fund shall, by circular letter or telegram, ask all members whether they accept the proposed amendment. When three-fifths of the members, having eighty-five percent of the total voting power, have accepted the proposed amendment, the Fund shall certify the fact by a formal communication addressed to all members.
- (b) Notwithstanding (a) above, acceptance by all members is required in the case of any amendment modifying:
 - (i) the right to withdraw from the Fund (Article XXVI, Section 1);
 - (ii) the provision that no change in a member's quota shall be made without its consent (Article III, Section 2(d)); and

- (iii) the provision that no change may be made in the par value of a member's currency except on the proposal of that member (Schedule C, paragraph 6).
- (c) Amendments shall enter into force for all members three months after the date of the formal communication unless a shorter period is specified in the circular letter or telegram.

Article XXIX

Interpretation

- (a) Any question of interpretation of the provisions of this Agreement arising between any member and the Fund or between any members of the Fund shall be submitted to the Executive Board for its decision. If the question particularly affects any member, it shall be entitled to representation in accordance with Article XII, Section 3(j).
- (b) In any case where the Executive Board has given a decision under (a) above, any member may require, within three months from the date of the decision, that the question be referred to the Board of Governors, whose decision shall be final. Any question referred to the Board of Governors shall be considered by a Committee on Interpretation of the Board of Governors. Each Committee member shall have one vote. The Board of Governors shall establish the membership, procedures, and voting majorities of the Committee. A decision of the Committee shall be the decision of the Board of Governors unless the Board of Governors, by an eighty-five percent majority of the total voting power, decides otherwise. Pending the result of the reference to the Board of Governors the Fund may, so far as it deems necessary, act on the basis of the decision of the Executive Board.
- (c) Whenever a disagreement arises between the Fund and a member which has withdrawn, or between the Fund and any member during liquidation of the Fund, such disagreement shall be submitted to arbitration by a tribunal of three arbitrators, one appointed by the Fund, another by the member or withdrawing member, and an umpire who, unless the parties otherwise agree, shall be appointed by the President of the International Court of Justice or such other authority as may have been prescribed by regulation adopted by the Fund. The umpire shall have full power to settle all questions of procedure in any case where the parties are in disagreement with respect thereto.

Article XXX

Explanation of terms

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

- (a) The Fund's holdings of a member's currency in the General Resources Account shall include any securities accepted by the Fund under Article III, Section 4.

- (b) Stand-by arrangement means a decision of the Fund by which a member is assured that it will be able to make purchases from the General Resources Account in accordance with the terms of the decision during a specified period and up to a specified amount.
- (c) Reserve tranche purchase means a purchase by a member of special drawing rights or the currency of another member in exchange for its own currency which does not cause the Fund's holdings of the member's currency in the General Resources Account to exceed its quota, provided that for the purposes of this definition the Fund may exclude purchases and holdings under:
- (i) policies on the use of its general resources for compensatory financing of export fluctuations;
 - (ii) policies on the use of its general resources in connection with the financing of contributions to international buffer stocks of primary products; and
 - (iii) other policies on the use of its general resources in respect of which the Fund decides, by an eighty-five percent majority of the total voting power, that an exclusion shall be made.
- (d) 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;
 - (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; and
 - (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.
- (e) Net cumulative allocation of special drawing rights means the total amount of special drawing rights allocated to a participant less its share of special drawing rights that have been cancelled under Article XVIII, Section 2(a).
- (f) A freely usable currency means a member's currency that the Fund determines
- (i) is, in fact, widely used to make payments for international transactions, and
 - (ii) is widely traded in the principal exchange markets.
- (g) Members that were members on August 31, 1975 shall be deemed to include a member that accepted membership after that date pursuant to a resolution of the Board of Governors adopted before that date.

- (h) Transactions of the Fund means exchanges of monetary assets by the Fund for other monetary assets. Operations of the Fund means other uses or receipts of monetary assets by the Fund.
- (i) Transactions in special drawing rights means exchanges of special drawing rights for other monetary assets. Operations in special drawing rights means other uses of special drawing rights.

Article XXXI

Final provisions

Section 1—Entry into force

This agreement shall enter into force when it has been signed on behalf of governments having sixty-five percent of the total of the quotas set forth in Schedule A and when the instruments referred to in Section 2(a) of this Article have been deposited on their behalf, but in no event shall this Agreement enter into force before May 1, 1945.

Section 2—Signature

- (a) Each government on whose behalf this Agreement is signed shall deposit with the Government of the United States of America an instrument setting forth that it has accepted this Agreement in accordance with its law and has taken all steps necessary to enable it to carry out all of its obligations under this Agreement.
- (b) Each country shall become a member of the Fund as from the date of the deposit on its behalf of the instrument referred to in (a) above, except that no country shall become a member before this Agreement enters into force under Section 1 of this Article.
- (c) The Government of the United States of America shall inform the governments of all countries whose names are set forth in Schedule A, and the governments of all countries whose membership is approved in accordance with Article II, Section 2, of all signatures of this Agreement and of the deposit of all instruments referred to in (a) above.
- (d) At the time this Agreement is signed on its behalf, each government shall transmit to the Government of the United States of America one one-hundredth of one percent of its total subscription in gold or United States dollars for the purpose of meeting administrative expenses of the Fund. The Government of the United States of America shall hold such funds in a special deposit account and shall transmit them to the Board of Governors of the Fund when the initial meeting has been called. If this Agreement has not come into force by December 31, 1945, the Government of the United States of America shall return such funds to the governments that transmitted them.

- (e) This Agreement shall remain open for signature at Washington on behalf of the governments of the countries whose names are set forth in Schedule A until December 31, 1945.
- (f) After December 31, 1945, this Agreement shall be open for signature on behalf of the government of any country whose membership has been approved in accordance with Article II, Section 2.
- (g) By their signature of 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.
- (h) Subsection (d) above shall come into force with regard to each signatory government as from the date of its signature.

[The signature and depository clause reproduced below followed the text of Article XX in the original Articles of Agreement]

Done at Washington, in a single copy which shall remain deposited in the archives of the Government of the United States of America, which shall transmit certified copies to all governments whose names are set forth in Schedule A and to all governments whose membership is approved in accordance with Article II, Section 2.

Schedule 1 Article V section 12(h): replaced, on 27 February 2013, by section 5 of the International Finance Agreements Amendment Act 2013 (2013 No 4).

Schedule 1 Article V section 12(k): inserted, on 27 February 2013, by section 5 of the International Finance Agreements Amendment Act 2013 (2013 No 4).

Schedule 1 Article XII section 3(b): replaced, on 11 March 2016, by section 6 of the International Finance Agreements Amendment Act 2013 (2013 No 4).

Schedule 1 Article XII section 3(c): replaced, on 11 March 2016, by section 6 of the International Finance Agreements Amendment Act 2013 (2013 No 4).

Schedule 1 Article XII section 3(d): replaced, on 11 March 2016, by section 6 of the International Finance Agreements Amendment Act 2013 (2013 No 4).

Schedule 1 Article XII section 3(e): replaced, on 27 February 2013, by section 5 of the International Finance Agreements Amendment Act 2013 (2013 No 4).

Schedule 1 Article XII section 3(f): amended, on 11 March 2016, by section 6 of the International Finance Agreements Amendment Act 2013 (2013 No 4).

Schedule 1 Article XII section 3(i): replaced, on 11 March 2016, by section 6 of the International Finance Agreements Amendment Act 2013 (2013 No 4).

Schedule 1 Article XII section 3(j): amended, on 11 March 2016, by section 6 of the International Finance Agreements Amendment Act 2013 (2013 No 4).

Schedule 1 Article XII section 5(a): replaced, on 27 February 2013, by section 5 of the International Finance Agreements Amendment Act 2013 (2013 No 4).

Schedule 1 Article XII section 6(f)(iii): replaced, on 27 February 2013, by section 5 of the International Finance Agreements Amendment Act 2013 (2013 No 4).

Schedule 1 Article XII section 6(f)(vi): replaced, on 27 February 2013, by section 5 of the International Finance Agreements Amendment Act 2013 (2013 No 4).

Schedule 1 Article XII section 8: amended, on 11 March 2016, by section 6 of the International Finance Agreements Amendment Act 2013 (2013 No 4).

Schedule 1 Article XV section 1: replaced, on 1 October 2010, by section 2(1) of the International Finance Agreements Amendment Act 1998 (1998 No 115).

Schedule 1 Article XXI paragraph (a)(ii): amended, on 11 March 2016, by section 6 of the International Finance Agreements Amendment Act 2013 (2013 No 4).

Schedule 1 Article XXVI section 2(b): replaced, on 1 June 1993, by section 2(2) of the International Finance Agreements Amendment Act 1992 (1992 No 132).

Schedule 1 Article XXVI section 2(c): replaced, on 1 June 1993, by section 2(2) of the International Finance Agreements Amendment Act 1992 (1992 No 132).

Schedule 1 Article XXVI section 2(d): inserted, on 1 June 1993, by section 2(2) of the International Finance Agreements Amendment Act 1992 (1992 No 132).

Schedule 1 Article XXIX paragraph (a): amended, on 11 March 2016, by section 6 of the International Finance Agreements Amendment Act 2013 (2013 No 4).

Schedule A

Quotas

(In millions of United States dollars)

Australia	200	India	400
Belgium	225	Iran	25
Bolivia	10	Iraq	8
Brazil	150	Liberia	.5
Canada	300	Luxembourg	10
Chile	50	Mexico	90
China	550	Netherlands	275
Colombia	50	New Zealand	50
Costa Rica	5	Nicaragua	2
Cuba	50	Norway	50
Czechoslovakia	125	Panama	.5
*Denmark	*	Paraguay	2
Dominican Republic	5	Peru	25
Ecuador	5	Phillipine Commonwealth	15
Egypt	45	Poland	125
El Salvador	2.5	Union of South Africa	100
Ethiopia	6	Union of Soviet Socialist Republics	1200
France	450	United Kingdom	1300
Greece	40	United States	2750
Guatemala	5	Uruguay	15
Haiti	5	Venezuela	15
Honduras	2.5	Yugoslavia	60
Iceland	1		

*The quota of Denmark shall be determined by the Fund after the Danish Government has declared its readiness to sign this Agreement but before signature takes place.

Schedule B

Transitional provisions with respect to repurchase, payment of additional subscriptions, gold, and certain operational matters

1. Repurchase obligations that have accrued pursuant to Article V, Section 7(b) before the date of the second amendment of this Agreement and that remain undischarged at that date shall be discharged not later than the date or dates at which the obligations had to be discharged in accordance with the provisions of this Agreement before the second amendment.
2. A member shall discharge with special drawing rights any obligation to pay gold to the Fund in repurchase or as a subscription that is outstanding at the date of the second amendment of this Agreement, but the Fund may prescribe that these payments may be made in whole or in part in the currencies of other members specified by the Fund. A non-participant shall discharge an obligation that must be paid in special drawing rights pursuant to this provision with the currencies of other members specified by the Fund.
3. For the purposes of 2 above 0.888 671 gram of fine gold shall be equivalent to one special drawing right, and the amount of currency payable under 2 above shall be determined on that basis and on the basis of the value of the currency in terms of the special drawing right at the date of discharge.
4. A member's currency held by the Fund in excess of seventy-five percent of the member's quota at the date of the second amendment of this Agreement and not subject to repurchase under 1 above shall be repurchased in accordance with the following rules:
 - (i) Holdings that resulted from a purchase shall be repurchased in accordance with the policy on the use of the Fund's general resources under which the purchase was made.
 - (ii) Other holdings shall be repurchased not later than four years after the date of the second amendment of this Agreement.
5. Repurchases under 1 above that are not subject to 2 above, repurchases under 4 above, and any specification of currencies under 2 above shall be in accordance with Article V, Section 7(i).
6. All rules and regulations, rates, procedures, and decisions in effect at the date of the second amendment of this Agreement shall remain in effect until they are changed in accordance with the provisions of this Agreement.
7. To the extent that arrangements equivalent in effect to (a) and (b) below have not been completed before the date of the second amendment of this Agreement, the Fund shall
 - (a) sell up to 25 million ounces of fine gold held by it on August 31, 1975 to those members that were members on that date and that agree to buy it, in proportion to their quotas on that date. The sale to a member under this subparagraph (a) shall be made in exchange for its currency and at a

price equivalent at the time of sale to one special drawing right per 0.888 671 gram of fine gold, and

- (b) sell up to 25 million ounces of fine gold held by it on August 31, 1975 for the benefit of developing members that were members on that date, provided, however, that the part of any profits or surplus value of the gold that corresponds to the proportion of such a member's quota on August 31, 1975 to the total of the quotas of all members on that date shall be transferred directly to each such member. The requirements under Article V, Section 12(c) that the Fund consult a member, obtain a member's concurrence, or exchange a member's currency for the currencies of other members in certain circumstances shall apply with respect to currency received by the Fund as a result of sales of gold under this provision, other than sales to a member in return for its own currency, and placed in the General Resources Account.

Upon the sale of gold under this paragraph 7, an amount of the proceeds in the currencies received equivalent at the time of sale to one special drawing right per 0.888 671 gram of fine gold shall be placed in the General Resources Account and other assets held by the Fund under arrangements pursuant to (b) above shall be held separately from the general resources of the Fund. Assets that remain subject to disposition by the Fund upon termination of arrangements pursuant to (b) above shall be transferred to the Special Disbursement Account.

Schedule C

Par values

1. The Fund shall notify members that par values may be established for the purposes of this Agreement, in accordance with Article IV, Sections 1, 3, 4, and 5 and this Schedule, in terms of the special drawing right, or in terms of such other common denominator as is prescribed by the Fund. The common denominator shall not be gold or a currency.
2. A member that intends to establish a par value for its currency shall propose a par value to the Fund within a reasonable time after notice is given under 1 above.
3. Any member that does not intend to establish a par value for its currency under 1 above shall consult with the Fund and ensure that its exchange arrangements are consistent with the purposes of the Fund and are adequate to fulfill its obligations under Article IV, Section 1.
4. The Fund shall concur in or object to a proposed par value within a reasonable period after receipt of the proposal. A proposed par value shall not take effect for the purposes of this Agreement if the Fund objects to it, and the member shall be subject to 3 above. The Fund shall not object because of the domestic social or political policies of the member proposing the par value.
5. Each member that has a par value for its currency undertakes to apply appropriate measures consistent with this Agreement in order to ensure that the maximum and the minimum rates for spot exchange transactions taking place within its territories between its currency and the currencies of other members maintaining par values shall not differ from parity by more than four and one-half percent or by such other margin or margins as the Fund may adopt by an eighty-five percent majority of the total voting power.
6. A member shall not propose a change in the par value of its currency except to correct, or prevent the emergence of, a fundamental disequilibrium. A change may be made only on the proposal of the member and only after consultation with the Fund.
7. When a change is proposed, the Fund shall concur in or object to the proposed par value within a reasonable period after receipt of the proposal. The Fund shall concur if it is satisfied that the change is necessary to correct, or prevent the emergence of, a fundamental disequilibrium. The Fund shall not object because of the domestic social or political policies of the member proposing the change. A proposed change in par value shall not take effect for the purposes of this Agreement if the Fund objects to it. If a member changes the par value of its currency despite the objection of the Fund, the member shall be subject to Article XXVI, Section 2. Maintenance of an unrealistic par value by a member shall be discouraged by the Fund.
8. The par value of a member's currency established under this Agreement shall cease to exist for the purposes of this Agreement if the member informs the

Fund that it intends to terminate the par value. The Fund may object to the termination of a par value by a decision taken by an eighty-five percent majority of the total voting power. If a member terminates a par value for its currency despite the objection of the Fund, the member shall be subject to Article XXVI, Section 2. A par value established under this Agreement shall cease to exist for the purposes of this Agreement if the member terminates the par value despite the objection of the Fund, or if the Fund finds that the member does not maintain rates for a substantial volume of exchange transactions in accordance with 5 above, provided that the Fund may not make such finding unless it has consulted the member and given it sixty days notice of the Fund's intention to consider whether to make a finding.

9. If the par value of the currency of a member has ceased to exist under 8 above, the member shall consult with the Fund and ensure that its exchange arrangements are consistent with the purposes of the Fund and are adequate to fulfill its obligations under Article IV, Section 1.
10. A member for whose currency the par value has ceased to exist under 8 above may, at any time, propose a new par value for its currency.
11. Notwithstanding 6 above, the Fund, by a seventy percent majority of the total voting power, may make uniform proportionate changes in all par values if the special drawing right is the common denominator and the changes will not affect the value of the special drawing right. The par value of a member's currency shall, however, not be changed under this provision if, within seven days after 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.

Schedule D

Council

1. (a) Each member or group of members that has the number of votes allotted to it or them cast by an Executive Director shall appoint to the Council one Councillor, who shall be a Governor, Minister in the government of a member, or person of comparable rank, and may appoint not more than seven Associates. The Board of Governors may change, by an eighty-five percent majority of the total voting power, the number of Associates who may be appointed. A Councillor or Associate shall serve until a new appointment is made or until the next regular election of Executive Directors, whichever shall occur sooner.
- (b) Executive Directors, or in their absence their Alternates, and Associates shall be entitled to attend meetings of the Council, unless the Council decides to hold a restricted session. Each member and each group of members that appoints a Councillor shall appoint an Alternate who shall be entitled to attend a meeting of the Council when the Councillor is not present, and shall have full power to act for the Councillor.
2. (a) The Council shall supervise the management and adaptation of the international monetary system, including the continuing operation of the adjustment process and developments in global liquidity, and in this connection shall review developments in the transfer of real resources to developing countries.
- (b) The Council shall consider proposals pursuant to Article XXVIII(a) to amend the Articles of Agreement.
3. (a) The Board of Governors may delegate to the Council authority to exercise any powers of the Board of Governors except the powers conferred directly by this Agreement on the Board of Governors.
- (b) Each Councillor shall be entitled to cast the number of votes allotted under Article XII, Section 5 to the member or group of members appointing him. A Councillor appointed by a group of members may cast separately the votes allotted to each member in the group. If the number of votes allotted to a member cannot be cast by an Executive Director, the member may make arrangements with a Councillor for casting the number of votes allotted to the member.
- (c) The Council shall not take any action pursuant to powers delegated by the Board of Governors that is inconsistent with any action taken by the Board of Governors and the Executive Board shall not take any action pursuant to powers delegated by the Board of Governors that is inconsistent with any action taken by either the Board of Governors or the Council.
4. The Council shall select a Councillor as chairman, shall adopt regulations as may be necessary or appropriate to perform its functions, and shall

- determine any aspect of its procedure. The Council shall hold such meetings as may be provided for by the Council or called by the Executive Board.
5. (a) The Council shall have powers corresponding to those of the Executive Board under the following provisions: Article XII, Section 2(c), (f), (g), and (j); Article XVIII, Section 4(a) and Section 4(c)(iv); Article XXIII, Section 1; and Article XXVII, Section 1(a).
- (b) For decisions by the Council on matters pertaining exclusively to the Special Drawing Rights Department only Councillors appointed by a member that is a participant or a group of members at least one member of which is a participant shall be entitled to vote. Each of these Councillors shall be entitled to cast the number of votes allotted to the member which is a participant that appointed him or to the members that are participants in the group of members that appointed him, and may cast the votes allotted to a participant with which arrangements have been made pursuant to the last sentence of 3(b) above.
- (c) The Council may by regulation establish a procedure whereby the Executive Board may obtain a vote of the Councillors on a specific question without a meeting of the Council when in the judgment of the Executive Board an action must be taken by the Council which should not be postponed until the next meeting of the Council and which does not warrant the calling of a special meeting.
- (d) Article IX, Section 8 shall apply to Councillors, their Alternates, and Associates, and to any other person entitled to attend a meeting of the Council.
- (e) When an Executive Director is entitled to cast the number of votes allotted to a member pursuant to Article XII, Section 3(i)(iii), the Councillor appointed by the group whose members elected such Executive Director shall be entitled to vote and cast the number of votes allotted to such member. The member shall be deemed to have participated in the appointment of the Councillor entitled to vote and cast the number of votes allotted to the member.
- (f) *[Repealed]*
6. The first sentence of Article XII, Section 2(a) shall be deemed to include a reference to the Council.

Schedule 1 Schedule D paragraph 1(a): amended, on 11 March 2016, by section 6 of the International Finance Agreements Amendment Act 2013 (2013 No 4).

Schedule 1 Schedule D paragraph 5(e): replaced, on 11 March 2016, by section 6 of the International Finance Agreements Amendment Act 2013 (2013 No 4).

Schedule 1 Schedule D paragraph 5(f): repealed, on 11 March 2016, by section 6 of the International Finance Agreements Amendment Act 2013 (2013 No 4).

Schedule E

Transitional Provisions with Respect to Executive Directors

Schedule 1 Schedule E: replaced, on 11 March 2016, by section 6 of the International Finance Agreements Amendment Act 2013 (2013 No 4).

- 1 Upon the entry into force of this Schedule:
 - (a) Each Executive Director who was appointed pursuant to former Article XII, Sections 3(b)(i) or 3(c), and was in office immediately prior to the entry into force of this Schedule, shall be deemed to have been elected by the member who appointed him; and
 - (b) Each Executive Director who cast the number of votes of a member pursuant to former Article XII, Section 3(i)(ii) immediately prior to the entry into force of this Schedule, shall be deemed to have been elected by such a member.

Schedule F

Designation

During the first basic period the rules for designation shall be as follows:

- (a) Participants subject to designation under Article XIX, Section 5(a)(i) shall be designated for such amounts as will promote over time equality in the ratios of the participants' holdings of special drawing rights in excess of their net cumulative allocations to their official holdings of gold and foreign exchange.
- (b) The formula to give effect to (a) above shall be such that participants subject to designation shall be designated:
 - (i) in proportion to their official holdings of gold and foreign exchange when the ratios described in (a) above are equal; and
 - (ii) in such manner as gradually to reduce the difference between the ratios described in (a) above that are low and the ratios that are high.

Schedule G

Reconstitution

During the first basic period the rules for reconstitution shall be as follows:

1. (a) (i) A participant shall so use and reconstitute its holdings of special drawing rights that, five years after the first allocation and at the end of each calendar quarter thereafter, the average of its total daily holdings of special drawing rights over the most recent five-year period will be not less than thirty percent of the average of its daily net cumulative allocation of special drawing rights over the same period.
 - (ii) Two years after the first allocation and at the end of each calendar month thereafter the Fund shall make calculations for each participant so as to ascertain whether and to what extent the participant would need to acquire special drawing rights between the date of the calculation and the end of any five-year period in order to comply with the requirement in (a)(i) above. The Fund shall adopt regulations with respect to the bases on which these calculations shall be made and with respect to the timing of the designation of participants under Article XIX, Section 5(a)(ii), in order to assist them to comply with the requirement in (a)(i) above.
 - (iii) The Fund shall give special notice to a participant when the calculations under (a)(ii) above indicate that it is unlikely that the participant will be able to comply with the requirement in (a)(i) above unless it ceases to use special drawing rights for the rest of the period for which the calculation was made under (a)(ii) above.
 - (iv) A participant that needs to acquire special drawing rights to fulfill this obligation shall be obligated and entitled to obtain them, for currency acceptable to the Fund, in a transaction with the Fund conducted through the General Resources Account. If sufficient special drawing rights to fulfill this obligation cannot be obtained in this way, the participant shall be obligated and entitled to obtain them with a freely usable currency from a participant which the Fund shall specify.
 - (b) Participants shall also pay due regard to the desirability of pursuing over time a balanced relationship between their holdings of special drawing rights and their other reserves.
2. If a participant fails to comply with the rules for reconstitution, the Fund shall determine whether or not the circumstances justify suspension under Article XXIII, Section 2(b).

Schedule H

Termination of participation

1. If the obligation remaining after the setoff under Article XXIV, Section 2(b) is to the terminating participant and agreement on settlement between the Fund and the terminating participant is not reached within six months of the date of termination, the Fund shall redeem this balance of special drawing rights in equal half-yearly installments within a maximum of five years of the date of termination. The Fund shall redeem this balance as it may determine, either (a) by the payment to the terminating participant of the amounts provided by the remaining participants to the Fund in accordance with Article XXIV, Section 5, or (b) by permitting the terminating participant to use its special drawing rights to obtain its own currency or a freely usable currency from a participant specified by the Fund, the General Resources Account, or any other holder.
2. If the obligation remaining after the setoff under Article XXIV, Section 2(b) is to the Fund and agreement on settlement is not reached within six months of the date of termination, the terminating participant shall discharge this obligation in equal half-yearly installments within three years of the date of termination or within such longer period as may be fixed by the Fund. The terminating participant shall discharge this obligation, as the Fund may determine, either (a) by the payment to the Fund of a freely usable currency, or (b) by obtaining special drawing rights, in accordance with Article XXIV, Section 6, from the General Resources Account or in agreement with a participant specified by the Fund or from any other holder, and the setoff of these special drawing rights against the installment due.
3. Installments under either 1 or 2 above shall fall due six months after the date of termination and at intervals of six months thereafter.
4. In the event of the Special Drawing Rights Department going into liquidation under Article XXV within six months of the date a participant terminates its participation, the settlement between the Fund and that government shall be made in accordance with Article XXV and Schedule I.

Schedule I

Administration of liquidation of the Special Drawing Rights Department

1. In the event of liquidation of the Special Drawing Rights Department, participants shall discharge their obligations to the Fund in ten half-yearly installments, or in such longer period as the Fund may decide is needed, in a freely usable currency and the currencies of participants holding special drawing rights to be redeemed in any installment to the extent of such redemption, as determined by the Fund. The first half-yearly payment shall be made six months after the decision to liquidate the Special Drawing Rights Department.
2. If it is decided to liquidate the Fund within six months of the date of the decision to liquidate the Special Drawing Rights Department, the liquidation of the Special Drawing Rights Department shall not proceed until special drawing rights held in the General Resources Account have been distributed in accordance with the following rule:

After the distributions made under 2(a) and (b) of Schedule K, the Fund shall apportion its special drawing rights held in the General Resources Account among all members that are participants in proportion to the amounts due to each participant after the distribution under 2(b). To determine the amount due to each member for the purpose of apportioning the remainder of its holdings of each currency under 2 (d) of Schedule K, the Fund shall deduct the distribution of special drawing rights made under this rule.
3. With the amounts received under 1 above, the Fund shall redeem special drawing rights held by holders in the following manner and order:
 - (a) Special drawing rights held by governments that have terminated their participation more than six months before the date the Board of Governors decides to liquidate the Special Drawing Rights Department shall be redeemed in accordance with the terms of any agreement under Article XXIV or Schedule H.
 - (b) Special drawing rights held by holders that are not participants shall be redeemed before those held by participants, and shall be redeemed in proportion to the amount held by each holder.
 - (c) The Fund shall determine the proportion of special drawing rights held by each participant in relation to its net cumulative allocation. The Fund shall first redeem special drawing rights from the participants with the highest proportion until this proportion is reduced to that of the second highest proportion; the Fund shall then redeem the special drawing rights held by these participants in accordance with their net cumulative allocations until the proportions are reduced to that of the third highest proportion; and this process shall be continued until the amount available for redemption is exhausted.

4. Any amount that a participant will be entitled to receive in redemption under 3 above shall be set off against any amount to be paid under 1 above.
5. During liquidation the Fund shall pay interest on the amount of special drawing rights held by holders, and each participant shall pay charges on the net cumulative allocation of special drawing rights to it less the amount of any payments made in accordance with 1 above. The rates of interest and charges and the time of payment shall be determined by the Fund. Payments of interest and charges shall be made in special drawing rights to the extent possible. A participant that does not hold sufficient special drawing rights to meet any charges shall make the payment with a currency specified by the Fund. Special drawing rights received as charges in amounts needed for administrative expenses shall not be used for the payment of interest, but shall be transferred to the Fund and shall be redeemed first and with the currencies used by the Fund to meet its expenses.
6. While a participant is in default with respect to any payment required by 1 or 5 above, no amounts shall be paid to it in accordance with 3 or 5 above.
7. If after the final payments have been made to participants each participant not in default does not hold special drawing rights in the same proportion to its net cumulative allocation, those participants holding a lower proportion shall purchase from those holding a higher proportion such amounts in accordance with arrangements made by the Fund as will make the proportion of their holdings of special drawing rights the same. Each participant in default shall pay to the Fund its own currency in an amount equal to its default. The Fund shall apportion this currency and any residual claims among participants in proportion to the amount of special drawing rights held by each and these special drawing rights shall be cancelled. The Fund shall then close the books of the Special Drawing Rights Department and all of the Fund's liabilities arising from the allocations of special drawing rights and the administration of the Special Drawing Rights Department shall cease.
8. Each participant whose currency is distributed to other participants under this Schedule guarantees the unrestricted use of such currency at all times for the purchase of goods or for payments of sums due to it or to persons in its territories. Each participant so obligated agrees to compensate other participants for any loss resulting from the difference between the value at which the Fund distributed its currency under this Schedule and the value realized by such participants on disposal of its currency.

Schedule J

Settlement of accounts with members withdrawing

1. The settlement of accounts with respect to the General Resources Account shall be made according to 1 to 6 of this Schedule. The Fund shall be obligated to pay to a member withdrawing an amount equal to its quota, plus any other amounts due to it from the Fund, less any amounts due to the Fund, including charges accruing after the date of its withdrawal; but no payment shall be made until six months after the date of withdrawal. Payments shall be made in the currency of the withdrawing member, and for this purpose the Fund may transfer to the General Resources Account holdings of the member's currency in the Special Disbursement Account or in the Investment Account in exchange for an equivalent amount of the currencies of other members in the General Resources Account selected by the Fund with their concurrence.
2. If the Fund's holdings of the currency of the withdrawing member are not sufficient to pay the net amount due from the Fund, the balance shall be paid in a freely usable currency, or in such other manner as may be agreed. If the Fund and the withdrawing member do not reach agreement within six months of the date of withdrawal, the currency in question held by the Fund shall be paid forthwith to the withdrawing member. Any balance due shall be paid in ten half-yearly installments during the ensuing five years. Each such installment shall be paid, at the option of the Fund, either in the currency of the withdrawing member acquired after its withdrawal or in a freely usable currency.
3. If the Fund fails to meet any installment which is due in accordance with the preceding paragraphs, the withdrawing member shall be entitled to require the Fund to pay the installment in any currency held by the Fund with the exception of any currency which has been declared scarce under Article VII, Section 3.
4. If the Fund's holdings of the currency of a withdrawing member exceed the amount due to it, and if agreement on the method of settling accounts is not reached within six months of the date of withdrawal, the former member shall be obligated to redeem such excess currency in a freely usable currency. Redemption shall be made at the rates at which the Fund would sell such currencies at the time of withdrawal from the Fund. The withdrawing member shall complete redemption within five years of the date of withdrawal, or within such longer period as may be fixed by the Fund, but shall not be required to redeem in any half-yearly period more than one-tenth of the Fund's excess holdings of its currency at the date of withdrawal plus further acquisitions of the currency during such half-yearly period. If the withdrawing member does not fulfill this obligation, the Fund may in an orderly manner liquidate in any market the amount of currency which should have been redeemed.
5. Any member desiring to obtain the currency of a member which has withdrawn shall acquire it by purchase from the Fund, to the extent that such member has

- access to the general resources of the Fund and that such currency is available under 4 above.
6. The withdrawing member guarantees the unrestricted use at all times of the currency disposed of under 4 and 5 above for the purchase of goods or for payment of sums due to it or to persons within its territories. It shall compensate the Fund for any loss resulting from the difference between the value of its currency in terms of the special drawing right on the date of withdrawal and the value realized in terms of the special drawing right by the Fund on disposal under 4 and 5 above.
 7. If the withdrawing member is indebted to the Fund as the result of transactions conducted through the Special Disbursement Account under Article V, Section 12(f)(ii), the indebtedness shall be discharged in accordance with the terms of the indebtedness.
 8. If the Fund holds the withdrawing member's currency in the Special Disbursement Account or in the Investment Account, the Fund may in an orderly manner exchange in any market for the currencies of members the amount of the currency of the withdrawing member remaining in each account after use under 1 above, and the proceeds of the exchange of the amount in each account shall be kept in that account. Paragraph 5 above and the first sentence of 6 above shall apply to the withdrawing member's currency.
 9. If the Fund holds obligations of the withdrawing member in the Special Disbursement Account pursuant to Article V, Section 12(h), or in the Investment Account, the Fund may hold them until the date of maturity or dispose of them sooner. Paragraph 8 above shall apply to the proceeds of such disinvestment.
 10. In the event of the Fund going into liquidation under Article XXVII, Section 2 within six months of the date on which the member withdraws, the accounts between the Fund and that government shall be settled in accordance with Article XXVII, Section 2 and Schedule K.

Schedule K

Administration of liquidation

1. In the event of liquidation the liabilities of the Fund other than the repayment of subscriptions shall have priority in the distribution of the assets of the Fund. In meeting each such liability the Fund shall use its assets in the following order:
 - (a) the currency in which the liability is payable;
 - (b) gold;
 - (c) all other currencies in proportion, so far as may be practicable, to the quotas of the members.
2. After the discharge of the Fund's liabilities in accordance with 1 above, the balance of the Fund's assets shall be distributed and apportioned as follows:
 - (a)
 - (i) The Fund shall calculate the value of gold held on August 31, 1975 that it continues to hold on the date of the decision to liquidate. The calculation shall be made in accordance with 9 below and also on the basis of one special drawing right per 0.888 671 gram of fine gold on the date of liquidation. Gold equivalent to the excess of the former value over the latter shall be distributed to those members that were members on August 31, 1975 in proportion to their quotas on that date.
 - (ii) The Fund shall distribute any assets held in the Special Disbursement Account on the date of the decision to liquidate to those members that were members on August 31, 1975 in proportion to their quotas on that date. Each type of asset shall be distributed proportionately to members.
 - (b) The Fund shall distribute its remaining holdings of gold among the members whose currencies are held by the Fund in amounts less than their quotas in the proportions, but not in excess of, the amounts by which their quotas exceed the Fund's holdings of their currencies.
 - (c) The Fund shall distribute to each member one-half the Fund's holdings of its currency but such distribution shall not exceed fifty percent of its quota.
 - (d) The Fund shall apportion the remainder of its holdings of gold and each currency
 - (i) among all the members in proportion to, but not in excess of, the amounts due to each member after the distributions under (b) and (c) above, provided that distribution under 2(a) above shall not be taken into account for determining the amounts due, and
 - (ii) any excess holdings of gold and currency among all the members in proportion to their quotas.
3. Each member shall redeem the holdings of its currency apportioned to other members under 2(d) above, and shall agree with the Fund within three months after a decision to liquidate upon an orderly procedure for such redemption.
4. If a member has not reached agreement with the Fund within the three-month period referred to in 3 above, the Fund shall use the currencies of other

- members apportioned to that member under 2(d) above to redeem the currency of that member apportioned to other members. Each currency apportioned to a member which has not reached agreement shall be used, so far as possible, to redeem its currency apportioned to the members which have made agreements with the Fund under 3 above.
5. If a member has reached agreement with the Fund in accordance with 3 above, the Fund shall use the currencies of other members apportioned to that member under 2(d) above to redeem the currency of that member apportioned to other members which have made agreements with the Fund under 3 above. Each amount so redeemed shall be redeemed in the currency of the member to which it was apportioned.
 6. After carrying out the steps in the preceding paragraphs, the Fund shall pay to each member the remaining currencies held for its account.
 7. Each member whose currency has been distributed to other members under 6 above shall redeem such currency in the currency of the member requesting redemption, or in such other manner as may be agreed between them. If the members involved do not otherwise agree, the member obligated to redeem shall complete redemption within five years of the date of distribution, but shall not be required to redeem in any half-yearly period more than one-tenth of the amount distributed to each other member. If the member does not fulfill this obligation, the amount of currency which should have been redeemed may be liquidated in an orderly manner in any market.
 8. Each member whose currency has been distributed to other members under 6 above guarantees the unrestricted use of such currency at all times for the purchase of goods or for payment of sums due to it or to persons in its territories. Each member so obligated agrees to compensate other members for any loss resulting from the difference between the value of its currency in terms of the special drawing right on the date of the decision to liquidate the Fund and the value in terms of the special drawing right realized by such members on disposal of its currency.
 9. The Fund shall determine the value of gold under this Schedule on the basis of prices in the market.
 10. For the purposes of this Schedule, quotas shall be deemed to have been increased to the full extent to which they could have been increased in accordance with Article III, Section 2(b) of this Agreement.

Schedule L

Suspension of voting rights

Schedule 1 Schedule L: inserted, on 1 June 1993, by section 2(4) of the International Finance Agreements Amendment Act 1992 (1992 No 132).

In the case of a suspension of voting rights of a member under Article XXVI, Section 2(b), the following provisions shall apply:

1. The member shall not:
 - (a) participate in the adoption of a proposed amendment of this Agreement, or be counted in the total number of members for that purpose, except in the case of an amendment requiring acceptance by all members under Article XXVIII(b) or pertaining exclusively to the Special Drawing Rights Department;
 - (b) appoint a Governor or Alternate Governor, appoint or participate in the appointment of a Councillor or Alternate Councillor, or elect, or participate in the election of an Executive Director.
2. The number of votes allotted to the member shall not be cast in any organ of the Fund. They shall not be included in the calculation of the total voting power, except for purposes of: (a) the acceptance of a proposed amendment pertaining exclusively to the Special Drawing Rights Department and (b) the calculation of basic votes pursuant to Article XII, Section 5(a)(i).
3.
 - (a) The Governor and Alternate Governor appointed by the member shall cease to hold office.
 - (b) The Councillor and Alternate Councillor appointed by the member, or in whose appointment the member has participated, shall cease to hold office, provided that, if such Councillor was entitled to cast the number of votes allotted to other members whose voting rights have not been suspended, another Councillor and Alternate Councillor shall be appointed by such other members under Schedule D, and, pending such appointment, the Councillor and Alternate Councillor shall continue to hold office, but for a maximum of 30 days from the date of the suspension.
 - (c) The Executive Director elected by the member, or in whose election the member has participated, shall cease to hold office, unless such Executive Director was entitled to cast the number of votes allotted to other members whose voting rights have not been suspended. In the latter case:
 - (i) if more than 90 days remain before the next regular election of Executive Directors, another Executive Director shall be elected for the remainder of the term by such other members by a majority of the votes cast; pending such election, the Executive Director shall continue to hold office, but for a maximum of 30 days from the date of suspension;

- (ii) if not more than 90 days remain before the next regular election of Executive Directors, the Executive Director shall continue to hold office for the remainder of the term.

The member shall be entitled to send a representative to attend any meeting of the Board of Governors, the Council, or the Executive Board, but not any meeting of their committees, when a request made by, or a matter particularly affecting, the member is under consideration.

Schedule 1 Schedule L paragraph 1(b): amended, on 11 March 2016, by section 6 of the International Finance Agreements Amendment Act 2013 (2013 No 4).

Schedule 1 Schedule L paragraph 2: replaced, on 27 February 2013, by section 5 of the International Finance Agreements Amendment Act 2013 (2013 No 4).

Schedule 1 Schedule L paragraph 3(c): amended, on 11 March 2016, by section 6 of the International Finance Agreements Amendment Act 2013 (2013 No 4).

Schedule M

Special one-time allocation of special drawing rights

Schedule 1 Schedule M: inserted, on 1 October 2010, by section 2(2) of the International Finance Agreements Amendment Act 1998 (1998 No 115).

1. Subject to 4 below, each member that, as of September 19, 1997, is a participant in the Special Drawing Rights Department shall, on the 30th day following the effective date of the fourth amendment of this Agreement, receive an allocation of special drawing rights in an amount that will result in its net cumulative allocation of special drawing rights being equal to 29.315788813 percent of its quota as of September 19, 1997, provided that, for participants whose quotas have not been adjusted as proposed in Resolution No. 45-2 of the Board of Governors, calculations shall be made on the basis of the quotas proposed in that resolution.
2.
 - (a) Subject to 4 below, each country that becomes a participant in the Special Drawing Rights Department after September 19, 1997 but within three months of the date of its membership in the Fund shall receive an allocation of special drawing rights in an amount calculated in accordance with (b) and (c) below on the 30th day following the later of:
 - (i) the date on which the new member becomes a participant in the Special Drawing Rights Department, or
 - (ii) the effective date of the fourth amendment of this Agreement.
 - (b) For the purposes of (a) above, each participant shall receive an amount of special drawing rights that will result in such participant's net cumulative allocation being equal to 29.315788813 percent of its quota as of the date on which the member becomes a participant in the Special Drawing Rights Department, as adjusted:
 - (i) first, by multiplying 29.315788813 percent by the ratio of the total of quotas, as calculated under 1 above, of the participants described in (c) below to the total of quotas of such participants as of the date on which the member became a participant in the Special Drawing Rights Department, and
 - (ii) second, by multiplying the product of (i) above by the ratio of the total of the sum of the net cumulative allocations of special drawing rights received under Article XVIII of the participants described in (c) below as of the date on which the member became a participant in the Special Drawing Rights Department and the allocations received by such participants under 1 above to the total of the sum of the net cumulative allocations of special drawing rights received under Article XVIII of such participants as of September 19, 1997 and the allocations received by such participants under 1 above.
 - (c) For the purposes of the adjustments to be made under (b) above, the participants in the Special Drawing Rights Department shall be members that are participants as of September 19, 1997 and (i) continue to be

- participants in the Special Drawing Rights Department as of the date on which the member became a participant in the Special Drawing Rights Department, and (ii) have received all allocations made by the Fund after September 19, 1997.
3. (a) Subject to 4 below, if the Federal Republic of Yugoslavia (Serbia/Montenegro) succeeds to the membership in the Fund and the participation in the Special Drawing Rights Department of the former Socialist Federal Republic of Yugoslavia in accordance with the terms and conditions of Executive Board Decision No. 10237-(92/150), adopted December 14, 1992, it shall receive an allocation of special drawing rights in an amount calculated in accordance with (b) below on the 30th day following the later of: (i) the date on which the Federal Republic of Yugoslavia (Serbia/Montenegro) succeeds to membership in the Fund and participation in the Special Drawing Rights Department in accordance with the terms and conditions of Executive Board Decision No. 10237-(92/150), or (ii) the effective date of the fourth amendment of this Agreement.
 - (b) For the purposes of (a) above, the Federal Republic of Yugoslavia (Serbia/Montenegro) shall receive an amount of special drawing rights that will result in its net cumulative allocation being equal to 29.315788813 percent of the quota proposed to it under paragraph 3(c) of Executive Board Decision No. 10237-(92/150), as adjusted in accordance with 2(b)(ii) and (c) above as of the date on which the Federal Republic of Yugoslavia (Serbia/Montenegro) qualifies for an allocation under (a) above.
 4. The Fund shall not allocate special drawing rights under this Schedule to those participants that have notified the Fund in writing prior to the date of the allocation of their desire not to receive the allocation.
 5. (a) If, at the time an allocation is made to a participant under 1, 2, or 3 above, the participant has overdue obligations to the Fund, the special drawing rights so allocated shall be deposited and held in an escrow account within the Special Drawing Rights Department and shall be released to the participant upon discharge of all its overdue obligations to the Fund.
 - (b) Special drawing rights being held in an escrow account shall not be available for any use and shall not be included in any calculations of allocations or holdings of special drawing rights for the purposes of the Articles, except for calculations under this Schedule. If special drawing rights allocated to a participant are held in an escrow account when the participant terminates its participation in the Special Drawing Rights Department or when it is decided to liquidate the Special Drawing Rights Department, such special drawing rights shall be canceled.
 - (c) For the purposes of this paragraph, overdue obligations to the Fund consist of overdue repurchases and charges in the General Resources

Account, overdue principal and interest on loans in the Special Disbursement Account, overdue charges and assessments in the Special Drawing Rights Department, and overdue liabilities to the Fund as trustee.

- (d) Except for the provisions of this paragraph, the principle of separation between the General Department and the Special Drawing Rights Department and the unconditional character of special drawing rights as reserve assets shall be maintained.

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Schedule 2

Articles of Agreement of the International Bank for Reconstruction and Development

ss 2, 7, 8(2)

The Governments on whose behalf the present Agreement is signed agree as follows:

Introductory Article

The International Bank for Reconstruction and Development is established and shall operate in accordance with the following provisions:

Article I

Purposes

The purposes of the Bank are:

- (i) To assist in the reconstruction and development of territories of members by facilitating the investment of capital for productive purposes, including the restoration of economies destroyed or disrupted by war, the reconversion of productive facilities to peacetime needs and the encouragement of the development of productive facilities and resources in less developed countries:
- (ii) To promote private foreign investment by means of guarantees or participations in loans and other investments made by private investors; and when private capital is not available on reasonable terms, to supplement private investment by providing, on suitable conditions, finance for productive purposes out of its own capital, funds raised by it and its other resources:
- (iii) To promote the long-range balanced growth of international trade and the maintenance of equilibrium in balances of payments by encouraging international investment for the development of the productive resources of members, thereby assisting in raising productivity, the standard of living and conditions of labour in their territories:
- (iv) To arrange the loans made or guaranteed by it in relation to international loans through other channels so that the more useful and urgent projects, large and small alike, will be dealt with first:
- (v) To conduct its operations with due regard to the effect of international investment on business conditions in the territories of members and, in the immediate post-war years, to assist in bringing about a smooth transition from a wartime to a peacetime economy.

The Bank shall be guided in all its decisions by the purposes set forth above.

Article II

Membership in and capital of the Bank

Section 1—Membership

- (a) The original members of the Bank shall be those members of the International Monetary Fund which accept membership in the Bank before the date specified in Article XI, section 2(e).
- (b) Membership shall be open to other members of the Fund, at such times and in accordance with such terms as may be prescribed by the Bank.

Section 2—Authorised capital

- (a) The authorized capital stock of the Bank shall be \$10,000,000,000, in terms of United States dollars of the weight and fineness in effect on 1 July 1944. The capital stock shall be divided into 100,000 shares having a par value of \$100,000 each, which shall be available for subscription only by members.
- (b) The capital stock may be increased when the Bank deems it advisable by a three-fourths majority of the total voting power.

Section 3—Subscription of shares

- (a) Each member shall subscribe shares of the capital stock of the Bank. The minimum number of shares to be subscribed by the original members shall be those set forth in Schedule A. The minimum number of shares to be subscribed by other members shall be determined by the Bank, which shall reserve a sufficient portion of its capital stock for subscription by such members.
- (b) The Bank shall prescribe rules laying down the conditions under which members may subscribe shares of the authorized capital stock of the Bank in addition to their minimum subscriptions.
- (c) If the authorized capital stock of the Bank is increased, each member shall have a reasonable opportunity to subscribe, under such conditions as the Bank shall decide, a proportion of the increase of stock equivalent to the proportion which its stock theretofore subscribed bears to the total capital stock of the Bank, but no member shall be obligated to subscribe any part of the increased capital.

Section 4—Issue price of shares

Shares included in the minimum subscriptions of original members shall be issued at par. Other shares shall be issued at par unless the Bank by a majority of the total voting power decides in special circumstances to issue them on other terms.

Section 5—Division and calls of subscribed capital

The subscription of each member shall be divided into two parts as follows:

- (i) Twenty per cent shall be paid or subject to call under section 7(i) of this article as needed by the Bank for its operations:

- (ii) The remaining 80 per cent shall be subject to call by the Bank only when required to meet obligations of the Bank created under Article IV, section 1(a)(ii) and (iii).

Calls on unpaid subscriptions shall be uniform on all shares.

Section 6—Limitation on liability

Liability on shares shall be limited to the unpaid portion of the issue price of the shares.

Section 7—Method of payment of subscriptions for shares

Payment of subscriptions for shares shall be made in gold or United States dollars and in the currencies of the members as follows:

- (i) Under section 5(i) of this article, 2 per cent of the price of each share shall be payable in gold or United States dollars, and, when calls are made, the remaining 18 per cent shall be paid in the currency of the member:
- (ii) When a call is made under section 5(ii) of this article, payment may be made at the option of the member either in gold, United States dollars or in the currency required to discharge the obligations of the Bank for the purpose for which the call is made:
- (iii) When a member makes payments in any currency under (i) and (ii) above, such payments shall be made in amounts equal in value to the member's liability under the call. This liability shall be a proportionate part of the subscribed capital stock of the Bank as authorized and defined in section 2 of this article.

Section 8—Time of payment of subscriptions

- (a) The 2 per cent payable on each share in gold or United States dollars under section 7(i) of this article shall be paid within 60 days of the date on which the Bank begins operations, provided that:
 - (i) Any original member of the Bank whose metropolitan territory has suffered from enemy occupation or hostilities during the present war shall be granted the right to postpone payment of $\frac{1}{2}$ per cent until five years after that date:
 - (ii) An original member who cannot make such a payment because it has not recovered possession of its gold reserves which are still seized or immobilised as a result of the war may postpone all payment until such date as the Bank shall decide.
- (b) The remainder of the price of each share payable under section 7(i) of this article shall be paid as and when called by the Bank, provided that:
 - (i) The Bank shall, within one year of its beginning operations, call not less than 8 per cent of the price of the share in addition to the payment of 2 per cent referred to in (a) above:

- (ii) Not more than 5 per cent of the price of the share shall be called in any period of three months.

Section 9—Maintenance of value of certain currency holdings of the Bank

- (a) Whenever (i) the par value of a member's currency is reduced, or (ii) the foreign exchange value of a member's currency has, in the opinion of the Bank, depreciated to a significant extent within that member's territories, the member shall pay to the Bank within a reasonable time an additional amount of its own currency sufficient to maintain the value, as of the time of initial subscription, of the amount of the currency of such member, which is held by the Bank and derived from currency originally paid in to the Bank by the member under Article II, section 7(i), from currency referred to in Article IV, section 2(b), or from any additional currency furnished under the provisions of the present paragraph, and which has not been repurchased by the member for gold or for the currency of any member which is acceptable to the Bank.
- (b) Whenever the par value of a member's currency is increased, the Bank shall return to such member within a reasonable time an amount of that member's currency equal to the increase in the value of the amount of such currency described in (a) above.
- (c) The provisions of the preceding paragraphs may be waived by the Bank when a uniform proportionate change in the par values of the currencies of all its members is made by the International Monetary Fund.

Section 10—Restriction on disposal of shares

Shares shall not be pledged or encumbered in any manner whatever and they shall be transferable only to the Bank.

Article III

General provisions relating to loans and guarantees

Section 1—Use of resources

- (a) The resources and the facilities of the Bank shall be used exclusively for the benefit of members with equitable consideration to projects for development and projects for reconstruction alike.
- (b) For the purpose of facilitating the restoration and reconstruction of the economy of members whose metropolitan territories have suffered great devastation from enemy occupation or hostilities, the Bank, in determining the conditions and terms of loans made to such members, shall pay special regard to lightening the financial burden and expediting the completion of such restoration and reconstruction.

Section 2—Dealings between members and the Bank

Each member shall deal with the Bank only through its Treasury, central bank, stabilisation fund or other similar fiscal agency, and the Bank shall deal with members only by or through the same agencies.

Section 3—Limitations on guarantees and borrowings of the Bank

The total amount outstanding of guarantees, participations in loans and direct loans made by the Bank shall not be increased at any time, if by such increase the total would exceed 100 per cent of the unimpaired subscribed capital, reserves and surplus of the Bank.

Section 4—Conditions on which the Bank may guarantee or make loans

The Bank may guarantee, participate in, or make loans to any member or any political subdivision thereof and any business, industrial, and agricultural enterprise in the territories of a member, subject to the following conditions:

- (i) When the member in whose territories the project is located is not itself the borrower, the member or the central bank or some comparable agency of the member which is acceptable to the Bank, fully guarantees the repayment of the principal and the payment of interest and other charges on the loan:
- (ii) The Bank is satisfied that in the prevailing market conditions the borrower would be unable otherwise to obtain the loan under conditions which in the opinion of the Bank are reasonable for the borrower:
- (iii) A competent committee, as provided for in Article V, section 7, has submitted a written report recommending the project after a careful study of the merits of the proposal:
- (iv) In the opinion of the Bank the rate of interest and other charges are reasonable and such rate, charges and the schedule for repayment of principal are appropriate to the project:
- (v) In making or guaranteeing a loan, the Bank shall pay due regard to the prospects that the borrower, and, if the borrower is not a member, that the guarantor, will be in position to meet its obligations under the loan; and the Bank shall act prudently in the interests both of the particular member in whose territories the project is located and of the members as a whole:
- (vi) In guaranteeing a loan made by other investors, the Bank receives suitable compensation for its risk:
- (vii) Loans made or guaranteed by the Bank shall, except in special circumstances, be for the purpose of specific projects of reconstruction or development.

Section 5—Use of loans guaranteed, participated in, or made by the Bank

- (a) The Bank shall impose no conditions that the proceeds of a loan shall be spent in the territories of any particular member or members.
- (b) The Bank shall make arrangements to ensure that the proceeds of any loan are used only for the purposes for which the loan was granted, with due attention to considerations of economy and efficiency and without regard to political or other non-economic influences or considerations.
- (c) In the case of loans made by the Bank, it shall open an account in the name of the borrower, and the amount of the loan shall be credited to this account in the currency or currencies in which the loan is made. The borrower shall be permitted by the Bank to draw on this account only to meet expenses in connection with the project as they are actually incurred.

Article IV Operations

Section 1—Methods of making or facilitating loans

- (a) The Bank may make or facilitate loans which satisfy the general conditions of Article III in any of the following ways:
 - (i) By making or participating in direct loans out of its own funds corresponding to its unimpaired paid-up capital and surplus and, subject to section 6 of this article, to its reserves:
 - (ii) By making or participating in direct loans out of funds raised in the market of a member, or otherwise borrowed by the Bank:
 - (iii) By guaranteeing in whole or in part loans made by private investors through the usual investment channels.
- (b) The Bank may borrow funds under (a)(ii) above or guarantee loans under (a)(iii) above only with the approval of the member in whose markets the funds are raised and the member in whose currency the loan is denominated, and only if those members agree that the proceeds may be exchanged for the currency of any other member without restriction.

Section 2—Availability and transferability of currencies

- (a) Currencies paid into the Bank under Article II, Section 7(i), shall be loaned only with the approval in each case of the member whose currency is involved; provided, however, that if necessary, after the Bank's subscribed capital has been entirely called, such currencies shall, without restriction by the members whose currencies are offered, be used or exchanged for the currencies required to meet contractual payments of interest, other charges or amortisation on the

Bank's own borrowings, or to meet the Bank's liabilities with respect to such contractual payments on loans guaranteed by the Bank.

- (b) Currencies received by the Bank from borrowers or guarantors in payment on account of principal of direct loans made with currencies referred to in (a) above shall be exchanged for the currencies of other members or reloaned only with the approval in each case of the members whose currencies are involved; provided, however, that if necessary, after the Bank's subscribed capital has been entirely called, such currencies shall without restriction by the members whose currencies are offered, be used or exchanged for the currencies required to meet contractual payments of interest, other charges or amortisation on the Bank's own borrowings, or to meet the Bank's liabilities with respect to such contractual payments on loans guaranteed by the Bank.
- (c) Currencies received by the Bank from borrowers or guarantors in payment on account of principal of direct loans made by the Bank under section 1(a)(ii) of this article, shall be held and used without restriction by the members, to make amortisation payments, or to anticipate payment of or repurchase part or all of the Bank's own obligations.
- (d) All other currencies available to the Bank, including those raised in the market or otherwise borrowed under section 1(a)(ii) of this article, those obtained by the sale of gold, those received as payments of interest and other charges for direct loans made under section 1(a)(i) and (ii), and those received as payments of commissions and other charges under section 1(a)(iii), shall be used or exchanged for other currencies or gold required in the operations of the Bank without restriction by the members whose currencies are offered.
- (e) Currencies raised in the markets of members by borrowers on loans guaranteed by the Bank under section 1(a)(iii) of this article, shall also be used or exchanged for other currencies without restriction by such members.

Section 3—Provision of currencies for direct loans

The following provisions shall apply to direct loans under section 1(a)(i) and (ii) of this article:

- (a) The Bank shall furnish the borrower with such currencies of members other than the member in whose territories the project is located as are needed by the borrower for expenditures to be made in the territories of such other members to carry out the purposes of the loan:
- (b) The Bank may, in exceptional circumstances when local currency required for the purposes of the loan cannot be raised by the borrower on reasonable terms, provide the borrower as part of the loan with an appropriate amount of that currency:
- (c) The Bank, if the project gives rise indirectly to an increased need for foreign exchange by the member in whose territories the project is located, may in exceptional circumstances provide the borrower as part of the loan with an

appropriate amount of gold or foreign exchange not in excess of the borrower's local expenditure in connection with the purposes of the loan:

- (d) The Bank may, in exceptional circumstances, at the request of a member in whose territories a portion of the loan is spent, repurchase with gold or foreign exchange a part of that member's currency thus spent, but in no case shall the part so repurchased exceed the amount by which the expenditure of the loan in those territories gives rise to an increased need for foreign exchange.

Section 4—Payment provisions for direct loans

Loan contracts under section 1(a)(i) or (ii) of this article shall be made in accordance with the following payment provisions:

- (a) The terms and conditions of interest and amortisation payments, maturity and dates of payment of each loan shall be determined by the Bank. The Bank shall also determine the rate and any other terms and conditions of commission to be charged in connection with such loans.

In the case of loans made under section 1(a)(ii) of this article during the first 10 years of the Bank's operations, this rate of commission shall be not less than 1 per cent per annum and not greater than 1½ per cent per annum, and shall be charged on the outstanding portion of any such loan. At the end of this period of 10 years, the rate of commission may be reduced by the Bank with respect both to the outstanding portions of loans already made and to future loans, if the reserve accumulated by the Bank under section 6 of this article and out of other earnings is considered by it sufficient to justify a reduction. In the case of future loans the Bank shall also have discretion to increase the rate of commission beyond the above limit, if experience indicates that an increase is advisable:

- (b) All loan contracts shall stipulate the currency or currencies in which payments under the contract shall be made to the Bank. At the option of the borrower, however, such payments may be made in gold, or subject to the agreement of the Bank, in the currency of a member other than that prescribed in the contract:
- (i) In the case of loans made under section 1(a)(i) of this article, the loan contracts shall provide that payments to the Bank of interest, other charges and amortisation shall be made in the currency loaned, unless the member whose currency is loaned agrees that such payments shall be made in some other specified currency or currencies. These payments, subject to the provisions of Article II, section 9(c), shall be equivalent to the value of such contractual payments at the time the loans were made, in terms of a currency specified for the purpose by the Bank by a three-fourths majority of the total voting power.
- (ii) In the case of loans made under section 1(a)(ii) of this article, the total amount outstanding and payable to the Bank in any one currency shall at

no time exceed the total amount of the outstanding borrowings made by the Bank under section 1(a)(ii) and payable in the same currency:

- (c) If a member suffers from an acute exchange stringency, so that the service of any loan contracted by that member or guaranteed by it or by one of its agencies cannot be provided in the stipulated manner, the member concerned may apply to the Bank for a relaxation of the conditions of payment. If the Bank is satisfied that some relaxation is in the interests of the particular member and of the operations of the Bank and of its members as a whole, it may take action under either, or both, of the following paragraphs with respect to the whole, or part, of the annual service:
 - (i) The Bank may, in its discretion, make arrangements with the member concerned to accept service payments on the loan in the member's currency for periods not to exceed three years upon appropriate terms regarding the use of such currency and the maintenance of its foreign exchange value; and for the repurchase of such currency on appropriate terms:
 - (ii) The Bank may modify the terms of amortisation or extend the life of the loan, or both.

Section 5—Guarantees

- (a) In guaranteeing a loan placed through the usual investment channels, the Bank shall charge a guarantee commission payable periodically on the amount of the loan outstanding at a rate determined by the Bank. During the first 10 years of the Bank's operations this rate shall be not less than 1 per cent per annum and not greater than 1½ per cent per annum. At the end of this period of 10 years the rate of commission may be reduced by the Bank with respect both to the outstanding portions of loans already guaranteed and to future loans if the reserves accumulated by the Bank under section 6 of this article and out of other earnings are considered by it sufficient to justify a reduction. In the case of future loans the Bank shall also have discretion to increase the rate of commission beyond the above limit if experience indicates that an increase is advisable.
- (b) Guarantee commissions shall be paid directly to the Bank by the borrower.
- (c) Guarantees by the Bank shall provide that the Bank may terminate its liability with respect to interest if, upon default by the borrower and by the guarantor, if any, the Bank offers to purchase, at par and interest accrued to a date designated in the offer, the bonds or other obligations guaranteed.
- (d) The Bank shall have power to determine any other terms and conditions of the guarantee.

Section 6—Special reserve

The amount of commissions received by the Bank under sections 4 and 5 of this article shall be set aside as a special reserve, which shall be used only for meeting liabilities of the Bank in accordance with section 7 of this article. The special reserve shall be held in such liquid form, permitted under this Agreement, as the Executive Directors may decide.

Section 7—Methods of meeting liabilities of the Bank in case of defaults

In cases of default on loans made, participated in, or guaranteed by the Bank:

- (a) The Bank shall make such arrangements as may be feasible to adjust the obligations under the loans, including arrangements under or analogous to those provided in section 4(c) of this article:
- (b) The payments in discharge of the Bank's liabilities on borrowings or guarantees under section 1(a)(ii) and (iii) of this article shall be charged:
 - (i) First, against the special reserve provided in section 6 of this article;
 - (ii) Then, to the extent necessary and at the discretion of the Bank, against the other reserves, surplus and capital available to the Bank.
- (c) Whenever necessary to meet contractual payments of interest, other charges or amortisation on the Bank's own borrowings, or to meet the Bank's liabilities with respect to similar payments on loans guaranteed by it, the Bank may call an appropriate amount of the unpaid subscriptions of members in accordance with Article II, sections 5 and 7. Moreover, if it believes that a default may be of long duration, the Bank may call an additional amount of such unpaid subscriptions not to exceed in any one year 1 per cent of the total subscriptions of the members for the following purposes:
 - (i) To redeem prior to maturity or otherwise discharge its liability on all or part of the outstanding principal of any loan guaranteed by it in respect of which the debtor is in default.
 - (ii) To repurchase or otherwise discharge its liability on all or part of its own outstanding borrowings.

Section 8—Miscellaneous operations

In addition to the operations specified elsewhere in this Agreement, the Bank shall have the power:

- (i) To buy and sell securities it has issued and to buy and sell securities which it has guaranteed or in which it has invested, provided that the Bank shall obtain the approval of the member in whose territories the securities are to be bought or sold;
- (ii) To guarantee securities in which it has invested for the purpose of facilitating their sale;
- (iii) To borrow the currency of any member with the approval of that member:

- (iv) To buy and sell such other securities as the Directors by a three-fourths majority of the total voting power may deem proper for the investment of all or part of the special reserve under section 6 of this article.

In exercising the powers conferred by this section, the Bank may deal with any person, partnership, association, corporation or other legal entity in the territories of any member.

Section 9—Warning to be placed on securities

Every security guaranteed or issued by the Bank shall bear on its face a conspicuous statement to the effect that it is not an obligation of any government unless expressly stated on the security.

Section 10—Political activity prohibited

The Bank and its officers shall not interfere in the political affairs of any member; nor shall they be influenced in their decisions by the political character of the member or members concerned. Only economic considerations shall be relevant to their decisions, and these considerations shall be weighed impartially in order to achieve the purposes stated in Article I.

Article V

Organisation and management

Section 1—Structure of the Bank

The Bank shall have a Board of Governors, Executive Directors, a President and such other officers and staff to perform such duties as the Bank may determine.

Section 2—Board of Governors

- (a) All the powers of the Bank shall be vested in the Board of Governors consisting of one Governor and one alternate appointed by each member in such manner as it may determine. Each Governor and each alternate shall serve for five years, subject to the pleasure of the member appointing him, and may be reappointed. No alternate may vote except in the absence of his principal. The Board shall select one of the Governors as Chairman.
- (b) The Board of Governors may delegate to the Executive Directors authority to exercise any powers of the Board, except the power to:
- (i) Admit new members and determine the conditions of their admission:
 - (ii) Increase or decrease the capital stock:
 - (iii) Suspend a member:
 - (iv) Decide appeals from interpretations of this Agreement given by the Executive Directors:

- (v) Make arrangements to cooperate with other international organisations (other than informal arrangements of a temporary and administrative character):
- (vi) Decide to suspend permanently the operations of the Bank and to distribute its assets:
- (vii) Determine the distribution of the net income of the Bank.
- (c) The Board of Governors shall hold an annual meeting and such other meetings as may be provided for by the Board or called by the Executive Directors. Meetings of the Board shall be called by the Directors whenever requested by five members or by members having one-quarter of the total voting power.
- (d) A quorum for any meeting of the Board of Governors shall be a majority of the Governors, exercising not less than two-thirds of the total voting power.
- (e) The Board of Governors may by regulation establish a procedure whereby the Executive Directors, when they deem such action to be in the best interests of the Bank, may obtain a vote of the Governors on a specific question without calling a meeting of the Board.
- (f) The Board of Governors, and the Executive Directors to the extent authorised, may adopt such rules and regulations as may be necessary or appropriate to conduct the business of the Bank.
- (g) Governors and alternates shall serve as such without compensation from the Bank, but the Bank shall pay them reasonable expenses incurred in attending meetings.
- (h) The Board of Governors shall determine the remuneration to be paid to the Executive Directors and the salary and terms of the contract of service of the President.

Section 3—Voting

- (a) Each member shall have 250 votes, plus one additional vote for each share of stock held.
- (b) Except as otherwise specifically provided, all matters before the Bank shall be decided by a majority of the votes cast.

Section 4—Executive Directors

- (a) The Executive Directors shall be responsible for the conduct of the general operations of the Bank, and for this purpose, shall exercise all the powers delegated to them by the Board of Governors.
- (b) There shall be 12 Executive Directors, who need not be Governors, and of whom:
 - (i) Five shall be appointed, one by each of the five members having the largest number of shares:

- (ii) Seven shall be elected according to Schedule B by all the Governors other than those appointed by the five members referred to in (i) above.

For the purpose of this paragraph, “members” means governments of countries whose names are set forth in Schedule A, whether they are original members or become members in accordance with Article II, section 1(b). When governments of other countries become members, the Board of Governors may, by a four-fifths majority of the total voting power, increase the total number of Directors by increasing the number of Directors to be elected.

Executive Directors shall be appointed or elected every two years.

- (c) Each Executive Director shall appoint an alternate with full power to act for him when he is not present. When the Executive Directors appointing them are present, alternates may participate in meetings but shall not vote.
- (d) Directors shall continue in office until their successors are appointed or elected. If the office of an elected Director becomes vacant more than 90 days before the end of his term, another Director shall be elected for the remainder of the term by the Governors who elected the former Director. A majority of the votes cast shall be required for election. While the office remains vacant, the alternate of the former Director shall exercise his powers, except that of appointing an alternate.
- (e) The Executive Directors shall function in continuous session at the principal office of the Bank and shall meet as often as the business of the Bank may require.
- (f) A quorum for any meeting of the Executive Directors shall be a majority of the Directors, exercising not less than one-half of the total voting power.
- (g) Each appointed Director shall be entitled to cast the number of votes allotted under section 3 of this article to the member appointing him. Each elected Director shall be entitled to cast the number of votes which counted toward his election. All the votes which a Director is entitled to cast shall be cast as a unit.
- (h) The Board of Governors shall adopt regulations under which a member not entitled to appoint a Director under (b) above may send a representative to attend any meeting of the Executive Directors when a request made by, or a matter particularly affecting, that member is under consideration.
- (i) The Executive Directors may appoint such committees as they deem advisable. Membership of such committees need not be limited to Governors or Directors or their alternates.

Section 5—President and staff

- (a) The Executive Directors shall select a President who shall not be a Governor or an Executive Director or an alternate for either. The President shall be Chairman of the Executive Directors, but shall have no vote except a deciding vote in case of an equal division. He may participate in meetings of the Board of

Governors, but shall not vote at such meetings. The President shall cease to hold office when the Executive Directors so decide.

- (b) The President shall be chief of the operating staff of the Bank and shall conduct, under the direction of the Executive Directors, the ordinary business of the Bank. Subject to the general control of the Executive Directors, he shall be responsible for the organisation, appointment and dismissal of the officers and staff.
- (c) The President, officers and staff of the Bank, in the discharge of their offices, owe their duty entirely to the Bank and to no other authority. Each member of the Bank shall respect the international character of this duty and shall refrain from all attempts to influence any of them in the discharge of their duties.
- (d) In appointing the officers and staff the President shall, subject to the paramount importance of securing the highest standards of efficiency and of technical competence, pay due regard to the importance of recruiting personnel on as wide a geographical basis as possible.

Section 6—Advisory Council

- (a) There shall be an Advisory Council of not less than seven persons selected by the Board of Governors including representatives of banking, commercial, industrial, labour, and agricultural interests, and with as wide a national representation as possible. In those fields where specialised international organisations exist, the members of the Council representative of those fields shall be selected in agreement with such organisations. The Council shall advise the Bank on matters of general policy. The Council shall meet annually and on such other occasions as the Bank may request.
- (b) Councillors shall serve for two years, and may be reappointed. They shall be paid their reasonable expenses incurred on behalf of the Bank.

Section 7—Loan committees

The committees required to report on loans under Article III, section 4, shall be appointed by the Bank. Each such committee shall include an expert selected by the Governor representing the member in whose territories the project is located and one or more members of the technical staff of the Bank.

Section 8—Relationship to other international organisations

- (a) The Bank, within the terms of this Agreement, shall cooperate with any general international organisation and with public international organisations having specialised responsibilities in related fields. Any arrangements for such cooperation which would involve a modification of any provision of this Agreement may be effected only after amendment to this Agreement under Article VIII.
- (b) In making decisions on applications for loans or guarantees relating to matters directly within the competence of any international organisation of the types

specified in the preceding paragraph and participated in primarily by members of the Bank, the Bank shall give consideration to the views and recommendations of such organisation.

Section 9—Location of offices

- (a) The principal office of the Bank shall be located in the territory of the member holding the greatest number of shares.
- (b) The Bank may establish agencies or branch offices in the territories of any member of the Bank.

Section 10—Regional offices and councils

- (a) The Bank may establish regional offices and determine the location of, and the areas to be covered by, each regional office.
- (b) Each regional office shall be advised by a regional council representative of the entire area and selected in such manner as the Bank may decide.

Section 11—Depositories

- (a) Each member shall designate its central bank as a depository for all the Bank's holdings of its currency or, if it has no central bank, it shall designate such other institution as may be acceptable to the Bank.
- (b) The Bank may hold other assets, including gold, in depositories designated by the five members having the largest number of shares and in such other designated depositories as the Bank may select. Initially, at least one-half of the gold holdings of the Bank shall be held in the depository designated by the member in whose territory the Bank has its principal office, and at least 40 per cent shall be held in the depositories designated by the remaining four members referred to above, each of such depositories to hold, initially, not less than the amount of gold paid on the shares of the member designating it. However, all transfers of gold by the Bank shall be made with due regard to the cost of transport and anticipated requirements of the Bank. In an emergency the Executive Directors may transfer all or any part of the Bank's gold holdings to any place where they can be adequately protected.

Section 12—Form of holdings of currency

The Bank shall accept from any member, in place of any part of the member's currency paid into the Bank under Article II, section 7(i), or to meet amortisation payments on loans made with such currency, and not needed by the Bank in its operations, notes or similar obligations issued by the government of the member or the depository designated by such member, which shall be non-negotiable, non-interest bearing and payable at their par value on demand by credit to the account of the Bank in the designated depository.

Section 13—Publication of reports and provision of information

- (a) The Bank shall publish an annual report containing an audited statement of its accounts and shall circulate to members at intervals of three months or less a summary statement of its financial position and a profit and loss statement showing the results of its operations.
- (b) The Bank may publish such other reports as it deems desirable to carry out its purposes.
- (c) Copies of all reports, statements and publications made under this section shall be distributed to members.

Section 14—Allocation of net income

- (a) The Board of Governors shall determine annually what part of the Bank's net income, after making provision for reserves, shall be allocated to surplus, and what part, if any, shall be distributed.
- (b) If any part is distributed, up to 2 per cent non-cumulative shall be paid, as a first charge against the distribution for any year, to each member on the basis of the average amount of the loans outstanding during the year made under Article IV, section 1(a)(i), out of currency corresponding to its subscription. If 2 per cent is paid as a first charge, any balance remaining to be distributed shall be paid to all members in proportion to their shares. Payments to each member shall be made in its own currency, or, if that currency is not available, in other currency acceptable to the member. If such payments are made in currencies other than the member's own currency, the transfer of the currency and its use by the receiving member after payment shall be without restriction by the members.

Article VI

Withdrawal and suspension of membership: Suspension of operations

Section 1—Right of members to withdraw

Any member may withdraw from the Bank at any time by transmitting a notice in writing to the Bank at its principal office. Withdrawal shall become effective on the date such notice is received.

Section 2—Suspension of membership

If a member fails to fulfil any of its obligations to the Bank, the Bank may suspend its membership by decision of a majority of the Governors, exercising a majority of the total voting power. The member so suspended shall automatically cease to be a member one year from the date of its suspension unless a decision is taken by the same majority to restore the member to good standing.

While under suspension, a member shall not be entitled to exercise any rights under this Agreement, except the right of withdrawal, but shall remain subject to all obligations.

Section 3—Cessation of membership in International Monetary Fund

Any member which ceases to be a member of the International Monetary Fund shall automatically cease after three months to be a member of the Bank unless the Bank by three-fourths of the total voting power has agreed to allow it to remain a member.

Section 4—Settlement of accounts with governments ceasing to be members

- (a) When a government ceases to be a member, it shall remain liable for its direct obligations to the Bank and for its contingent liabilities to the Bank so long as any part of the loans or guarantees contracted before it ceased to be a member are outstanding; but it shall cease to incur liabilities with respect to loans and guarantees entered into thereafter by the Bank and to share either in the income or the expenses of the Bank.
- (b) At the time a government ceases to be a member, the Bank shall arrange for the repurchase of its shares as a part of the settlement of accounts with such government in accordance with the provisions of (c) and (d) below. For this purpose the repurchase price of the shares shall be the value shown by the books of the Bank on the day the government ceases to be a member.
- (c) The payment for shares repurchased by the Bank under this section shall be governed by the following conditions:
 - (i) Any amount due to the government for its shares shall be withheld so long as the government, its central bank or any of its agencies remains liable, as borrower or guarantor, to the Bank, and such amount may at the option of the Bank, be applied on any such liability as it matures. No amount shall be withheld on account of the liability of the government resulting from its subscription for shares under Article II, Section 5(ii). In any event, no amount due to a member for its shares shall be paid until six months after the date upon which the government ceases to be a member:
 - (ii) Payments for shares may be made from time to time, upon their surrender by the government, to the extent by which the amount due as the repurchase price in (b) above exceeds the aggregate of liabilities on loans and guarantees in (c)(i) above until the former member has received the full repurchase price:
 - (iii) Payments shall be made in the currency of the country receiving payment or at the option of the Bank in gold:
 - (iv) If losses are sustained by the Bank on any guarantees, participations in loans, or loans which were outstanding on the date when the government

ceased to be a member, and the amount of such losses exceeds the amount of the reserve provided against losses on the date when the government ceased to be a member, such government shall be obligated to repay upon demand the amount by which the repurchase price of its shares would have been reduced, if the losses had been taken into account when the repurchase price was determined. In addition, the former member government shall remain liable on any call for unpaid subscriptions under Article II, Section 5(ii), to the extent that it would have been required to respond if the impairment of capital had occurred and the call had been made at the time the repurchase price of its shares was determined.

- (d) If the Bank suspends permanently its operations under section 5(b) of this article, within six months of the date upon which any government ceases to be a member, all rights of such government shall be determined by the provisions of section 5 of this article.

Section 5—Suspension of operations and settlement of obligations

- (a) In an emergency the Executive Directors may suspend temporarily operations in respect of new loans and guarantees pending an opportunity for further consideration and action by the Board of Governors.
- (b) The Bank may suspend permanently its operations in respect of new loans and guarantees by vote of a majority of the Governors, exercising a majority of the total voting power. After such suspension of operations the Bank shall forthwith cease all activities, except those incident to the orderly realisation, conservation, and preservation of its assets and settlement of its obligations.
- (c) The liability of all members for uncalled subscriptions to the capital stock of the Bank and in respect of the depreciation of their own currencies shall continue until all claims of creditors, including all contingent claims, shall have been discharged.
- (d) All creditors holding direct claims shall be paid out of the assets of the Bank, and then out of payments to the Bank on calls on unpaid subscriptions. Before making any payments to creditors holding direct claims, the Executive Directors shall make such arrangements as are necessary, in their judgment, to insure a distribution to holders of contingent claims rateably with creditors holding direct claims.
- (e) No distribution shall be made to members on account of their subscriptions to the capital stock of the Bank until:
 - (i) All liabilities to creditors have been discharged or provided for; and
 - (ii) A majority of the Governors, exercising a majority of the total voting power, have decided to make a distribution.
- (f) After a decision to make a distribution has been taken under (e) above, the Executive Directors may by a two-thirds majority vote make successive distri-

- butions of the assets of the Bank to members until all of the assets have been distributed. This distribution shall be subject to the prior settlement of all outstanding claims of the Bank against each member.
- (g) Before any distribution of assets is made, the Executive Directors shall fix the proportionate share of each member according to the ratio of its shareholding to the total outstanding shares of the Bank.
- (h) The Executive Directors shall value the assets to be distributed as at the date of distribution and then proceed to distribute in the following manner:
- (i) There shall be paid to each member in its own obligations or those of its official agencies or legal entities within its territories, in so far as they are available for distribution, an amount equivalent in value to its proportionate share of the total amount to be distributed:
 - (ii) Any balance due to a member after payment has been made under (i) above shall be paid, in its own currency, in so far as it is held by the Bank, up to an amount equivalent in value to such balance:
 - (iii) Any balance due to a member after payment has been made under (i) and (ii) above shall be paid, in gold or currency acceptable to the member, in so far as they are held by the Bank, up to an amount equivalent in value to such balance:
 - (iv) Any remaining assets held by the Bank after payments have been made to members under (i), (ii), and (iii) above shall be distributed *pro rata* among the members.
- (i) Any member receiving assets distributed by the Bank in accordance with (h) above shall enjoy the same rights with respect to such assets as the Bank enjoyed prior to their distribution.

Article VII

Status, immunities, and privileges

Section 1—Purpose of article

To enable the Bank to fulfil the functions with which it is entrusted, the status, immunities and privileges set forth in this article shall be accorded to the Bank in the territories of each member.

Section 2—Status of the Bank

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

- (i) To contract:
- (ii) To acquire and dispose of immovable and movable property:
- (iii) To institute legal proceedings.

Section 3—Position of the Bank with regard to judicial process

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

Section 4—Immunity of assets from seizure

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

Section 5—Immunity of archives

The archives of the Bank shall be inviolable.

Section 6—Freedom of assets from restrictions

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

Section 7—Privilege for communications

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

Section 8—Immunities and privileges of officers and employees

All Governors, Executive Directors, alternates, officers and employees of the Bank:

- (i) Shall be immune from legal process with respect to acts performed by them in their official capacity except when the Bank waives this immunity:
- (ii) Not being local nationals, shall be accorded the same immunities from immigration restrictions, alien registration requirements and national service obligations and the same facilities as regards exchange restrictions as are accorded by members to the representatives, officials, and employees of comparable rank of other members:
- (iii) Shall be granted the same treatment in respect of travelling facilities as is accorded by members to representatives, officials and employees of comparable rank of other members.

Section 9—Immunities from taxation

- (a) The Bank, its assets, property, income and its operations and transactions authorised by this Agreement, shall be immune from all taxation and from all

- Customs duties. The Bank shall also be immune from liability for the collection or payment of any tax or duty.
- (b) No tax shall be levied on or in respect of salaries and emoluments paid by the Bank to Executive Directors, alternates, officials or employees of the Bank who are not local citizens, local subjects, or other local nationals.
 - (c) No taxation of any kind shall be levied on any obligation or security issued by the Bank (including any dividend or interest thereon) by whomsoever held:
 - (i) Which discriminates against such obligation or security solely because it is issued by the Bank; or
 - (ii) If the sole jurisdictional basis for such taxation is the place or currency in which it is issued, made payable or paid, or the location of any office or place of business maintained by the Bank.
 - (d) No taxation of any kind shall be levied on any obligation or security guaranteed by the Bank (including any dividend or interest thereon) by whomsoever held:
 - (i) Which discriminates against such obligation or security solely because it is guaranteed by the Bank; or
 - (ii) If the sole jurisdictional basis for such taxation is the location of any office or place of business maintained by the Bank.

Section 10—Application of article

Each member shall take such action as is necessary in its own territories for the purpose of making effective in terms of its own law the principles set forth in this article, and shall inform the Bank of the detailed action which it has taken.

Article VIII 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 Bank 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 Bank shall certify the fact by a formal communication addressed to all members.
- (b) Notwithstanding (a) above, acceptance by all members is required in the case of any amendment modifying:
 - (i) The right to withdraw from the Bank provided in Article VI, section 1:
 - (ii) The right secured by Article II, section 3(c):
 - (iii) The limitation on liability provided in Article II, section 6.

- (c) Amendments shall enter into force for all members three months after the date of the formal communication unless a shorter period is specified in the circular letter or telegram.

Article IX

Interpretation

- (a) Any question of interpretation of the provisions of this Agreement arising between any member and the Bank or between any members of the Bank shall be submitted to the Executive Directors for their decision. If the question particularly affects any member not entitled to appoint an Executive Director, it shall be entitled to representation in accordance with Article V, section 4(h).
- (b) In any case where the Executive Directors have given a decision under (a) above, any member may require that the question be referred to the Board of Governors, whose decision shall be final. Pending the result of the reference to the Board, the Bank may so far as it deems necessary, act on the basis of the decision of the Executive Directors.
- (c) Whenever a disagreement arises between the Bank and a country which has ceased to be a member, or between the Bank and any member during the permanent suspension of the Bank, such disagreement shall be submitted to arbitration by a tribunal of three arbitrators, one appointed by the Bank, another by the country involved and an umpire who, unless the parties otherwise agree, shall be appointed by the President of the Permanent Court of International Justice or such other authority as may have been prescribed by regulation adopted by the Bank. The umpire shall have full power to settle all questions of procedure in any case where the parties are in disagreement with respect thereto.

Article X

Approval deemed given

Whenever the approval of any member is required before any act may be done by the Bank, except in Article VIII, approval shall be deemed to have been given unless the member presents an objection within such reasonable period as the Bank may fix in notifying the member of the proposed act.

Article XI

Final provisions

Section 1—Entry into force

This Agreement shall enter into force when it has been signed on behalf of governments whose minimum subscriptions comprise not less than 65 per cent of the total subscriptions set forth in Schedule A and when the instruments referred to in section

2(a) of this article have been deposited on their behalf, but in no event shall this Agreement enter into force before 1 May 1945.

Section 2—Signature

- (a) Each government on whose behalf this Agreement is signed shall deposit with the Government of the United States of America an instrument setting forth that it has accepted this Agreement in accordance with its law and has taken all steps necessary to enable it to carry out all of its obligations under this Agreement.
- (b) Each government shall become a member of the Bank as from the date of the deposit on its behalf of the instrument referred to in (a) above, except that no government shall become a member before this Agreement enters into force under section 1 of this article.
- (c) The Government of the United States of America shall inform the governments of all countries whose names are set forth in Schedule A, and all governments whose membership is approved in accordance with Article II, section 1(b), of all signatures of this Agreement and of the deposit of all instruments referred to in (a) above.
- (d) At the time this Agreement is signed on its behalf, each government shall transmit to the Government of the United States of America one one-hundredth of 1 per cent of the price of each share in gold or United States dollars for the purpose of meeting administrative expenses of the Bank. This payment shall be credited on account of the payment to be made in accordance with Article II, section 8(a). The Government of the United States of America shall hold such funds in a special deposit account and shall transmit them to the Board of Governors of the Bank when the initial meeting has been called under section 3 of this article. If this Agreement has not come into force by 31 December 1945, the Government of the United States of America shall return such funds to the governments that transmitted them.
- (e) This Agreement shall remain open for signature at Washington on behalf of the governments of the countries whose names are set forth in Schedule A until 31 December 1945.
- (f) After 31 December 1945 this Agreement shall be open for signature on behalf of the government of any country whose membership has been approved in accordance with Article II, section 1(b).
- (g) By their signature of 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.
- (h) In the case of governments whose metropolitan territories have been under enemy occupation, the deposit of the instrument referred to in (a) above may be delayed until 180 days after the date on which these territories have been liber-

ated. If, however, it is not deposited by any such government before the expiration of this period, the signature affixed on behalf of that government shall become void and the portion of its subscription paid under (d) above shall be returned to it.

- (i) Paragraphs (d) and (h) shall come into force with regard to each signatory government as from the date of its signature.

Section 3—Inauguration of the Bank

- (a) As soon as this Agreement enters into force under section 1 of this article, each member shall appoint a Governor and the member to whom the largest number of shares is allocated in Schedule A shall call the first meeting of the Board of Governors.
- (b) At the first meeting of the Board of Governors arrangements shall be made for the selection of provisional Executive Directors. The governments of the five countries to which the largest number of shares are allocated in Schedule A shall appoint provisional Executive Directors. If one or more of such governments have not become members the executive directorships which they would be entitled to fill shall remain vacant until they become members, or until 1 January 1946, whichever is the earlier. Seven provisional Executive Directors shall be elected in accordance with the provisions of Schedule B and shall remain in office until the date of the first regular election of Executive Directors which shall be held as soon as practicable after 1 January 1946.
- (c) The Board of Governors may delegate to the provisional Executive Directors any powers except those which may not be delegated to the Executive Directors.
- (d) The Bank shall notify members when it is ready to commence operations.

Done at Washington, in a single copy which shall remain deposited in the archives of the Government of the United States of America which shall transmit certified copies to all governments whose names are set forth in Schedule A and to all governments whose membership is approved in accordance with Article II, section 1(b).

[Here follow the signatures.]

Schedule A Subscriptions

	\$ (million)		\$ (million)
Australia	200	Iran	24
Belgium	225	Iraq	6
Bolivia	7	Liberia	0.5
Brazil	105	Luxembourg	10
Canada	325	Mexico	65
Chile	35	Netherlands	275
China	600	New Zealand	50

	\$(million)		\$(million)
Colombia	35	Nicaragua	0.8
Costa Rica	2	Norway	50
Cuba	35	Panama	0.2
Czechoslovakia	125	Paraguay	0.8
*Denmark	*	Peru	17.5
Dominican Republic	2	Phillipine Commonwealth	15
Ecuador	3.2	Poland	125
Egypt	40	Union of South Africa	100
El Salvador	1	Union of Soviet Socialist Republics	1,200
Ethiopia	3	United Kingdom	1,300
France	450	United States	3,175
Greece	25	Uruguay	10.5
Guatemala	2	Venezuela	10.5
Haiti	2	Yugoslavia	40
Honduras	1	Total	9,100
Iceland	1		
India	400		

*The subscription of Denmark shall be determined by the Bank after Denmark accepts membership in accordance with these Articles of Agreement.

Schedule B

Election of Executive Directors

1. The election of the elective Executive Directors shall be by ballot of the Governors eligible to vote under Article V, section 4(b).
2. In balloting for the elective Executive Directors, each Governor eligible to vote shall cast for one person all of the votes to which the member appointing him is entitled under section 3 of Article V. The seven persons receiving the greatest number of votes shall be Executive Directors, except that no person who receives less than 14 per cent of the total of the votes which can be cast (eligible votes) shall be considered elected.
3. When seven persons are not elected on the first ballot, a second ballot shall be held in which the person who received the lowest number of votes shall be ineligible for election and in which there shall vote only (a) those Governors who voted in the first ballot for a person not elected and (b) those Governors whose votes for a person elected are deemed under 4 below to have raised the votes cast for that person above 15 per cent of the eligible votes.
4. In determining whether the votes cast by a Governor are to be deemed to have raised the total of any person above 15 per cent of the eligible votes, the 15 per cent shall be deemed to include, first, the votes of the Governor casting the largest number of votes for such person, then the votes of the Governor casting the next largest number, and so on until 15 per cent is reached.

5. Any Governor, part of whose votes must be counted in order to raise the total of any person above 14 per cent, shall be considered as casting all of his votes for such person even if the total votes for such person thereby exceed 15 per cent.
6. If, after the second ballot, seven persons have not been elected, further ballots shall be held on the same principles until seven persons have been elected, provided that after six persons are elected, the seventh may be elected by a simple majority of the remaining votes and shall be deemed to have been elected by all such votes.

Schedule 3

Articles of Agreement of the International Finance Corporation

ss 2, 8(2)

The governments on whose behalf this Agreement is signed agree as follows:

Introductory article

The International Finance Corporation (hereinafter called the Corporation) is established and shall operate in accordance with the following provisions:

Article I

Purpose

The purpose of the Corporation is to further economic development by encouraging the growth of productive private enterprise in member countries, particularly in the less developed areas, thus supplementing the activities of the International Bank for Reconstruction and Development (hereinafter called the Bank). In carrying out this purpose, the Corporation shall:

- (i) In association with private investors, assist in financing the establishment, improvement and expansion of productive private enterprises which would contribute to the development of its member countries by making investments, without guarantee of repayment by the member government concerned, in cases where sufficient private capital is not available on reasonable terms;
- (ii) Seek to bring together investment opportunities domestic and foreign private capital and experienced management; and
- (iii) Seek to stimulate, and to help create conditions conducive to, the flow of private capital, domestic and foreign, into productive investment in member countries.

The Corporation shall be guided in all its decisions by the provisions of this article.

Article II

Membership and capital

Section 1—Membership

- (a) The original members of the Corporation shall be those members of the Bank listed in Schedule A hereto which shall, on or before the date specified in Article IX, section 2(c), accept membership in the Corporation.
- (b) Membership shall be open to other members of the Bank at such times and in accordance with such terms as may be prescribed by the Corporation.

Section 2—Capital stock

- (a) The authorised capital stock of the Corporation shall be \$100,000,000, in terms of United States dollars.
- (b) The authorised capital stock shall be divided into 100,000 shares having a par value of \$(U.S.)1,000 each. Any such shares not initially subscribed by original members shall be available for subsequent subscription in accordance with section 3(d) of this article.
- (c) The amount of capital stock at any time authorised may be increased by the Board of Governors as follows:
 - (i) By a majority of the votes cast, in case such increase is necessary for the purpose of issuing shares of capital stock on initial subscription by members other than original members, provided that the aggregate of any increases authorised pursuant to this subparagraph shall not exceed 10,000 shares:
 - (ii) In any other case, by an eighty-five percent majority of the total voting power.
- (d) In case of an increase authorised pursuant to paragraph (c)(ii) above, each member shall have a reasonable opportunity to subscribe, under such conditions as the Corporation shall decide, to a proportion of the increase of stock equivalent to the proportion which its stock theretofore subscribed bears to the total capital stock of the Corporation, but no member shall be obligated to subscribe to any part of the increased capital.
- (e) Issuance of shares of stock, other than those subscribed either on initial subscription or pursuant to paragraph (d) above, shall require a three-fourths majority of the total voting power.
- (f) Shares of stock of the Corporation shall be available for subscription only by, and shall be issued only to, members.

Section 3—Subscriptions

- (a) Each original member shall subscribe to the number of shares of stock set forth opposite its name in Schedule A. The number of shares of stock to be subscribed by other members shall be determined by the Corporation.
- (b) Shares of stock initially subscribed by original members shall be issued at par.
- (c) The initial subscription of each original member shall be payable in full within 30 days after either the date on which the Corporation shall begin operations pursuant to Article IX, section 3(b), or the date on which such original member becomes a member, whichever shall be later, or at such date thereafter as the Corporation shall determine. Payment shall be made in gold or United States dollars in response to a call by the Corporation which shall specify the place or places of payment.

- (d) The price and other terms of subscription of shares of stock to be subscribed, otherwise than on initial subscription by original members, shall be determined by the Corporation.

Section 4—Limitation on liability

No member shall be liable, by reason of its membership, for obligations of the Corporation.

Section 5—Restriction on transfers and pledges of shares

Shares of stock shall not be pledged or encumbered in any manner whatever, and shall be transferable only to the Corporation.

Article III Operations

Section 1—Financing operations

The Corporation may make investments of its funds in productive private enterprises in the territories of its members. The existence of a government or other public interest in such an enterprise shall not necessarily preclude the Corporation from making an investment therein.

Section 2—Forms of financing

- (a) The Corporation's financing shall not take the form of investments in capital stock. Subject to the foregoing, the Corporation may make investments of its funds in such form or forms as it may deem appropriate in the circumstances, including (but without limitation) investments according to the holder thereof the right to participate in earnings and the right to subscribe to, or to convert the investment into, capital stock.
- (b) The Corporation shall not itself exercise any right to subscribe to, or to convert any investment into, capital stock.

Section 3—Operational principles

The operations of the Corporation shall be conducted in accordance with the following principles:

- (i) The Corporation shall not undertake any financing for which in its opinion sufficient private capital could be obtained on reasonable terms:
- (ii) The Corporation shall not finance an enterprise in the territories of any member if the member objects to such financing:
- (iii) The Corporation shall impose no conditions that the proceeds of any financing by it shall be spent in the territories of any particular country:

- (iv) The Corporation shall not assume responsibility for managing any enterprise in which it has invested:
- (v) The Corporation shall undertake its financing on terms and conditions which it considers appropriate, taking into account the requirements of the enterprise, the risks being undertaken by the Corporation and the terms and conditions normally obtained by private investors for similar financing:
- (vi) The Corporation shall seek to revolve its funds by selling its investments to private investors whenever it can appropriately do so on satisfactory terms:
- (vii) The Corporation shall seek to maintain a reasonable diversification in its investments.

Section 4—Protection of interests

Nothing in this Agreement shall prevent the Corporation, in the event of actual or threatened default on any of its investments, actual or threatened insolvency of the enterprise in which such investment shall have been made, or other situations which, in the opinion of the Corporation, threaten to jeopardise such investment, from taking such action and exercising such rights as it may deem necessary for the protection of its interests.

Section 5—Applicability of certain foreign exchange restrictions

Funds received by or payable to the Corporation in respect of an investment of the Corporation made in any member's territories pursuant to section 1 of this article shall not be free, solely by reason of any provision of this Agreement, from generally applicable foreign exchange restrictions, regulations and controls in force in the territories of that member.

Section 6—Miscellaneous operations

In addition to the operations specified elsewhere in this Agreement, the Corporation shall have the power to:

- (i) Borrow funds, and in that connection to furnish such collateral or other security therefor as it shall determine; provided, however, that before making a public sale of its obligations in the markets of a member, the Corporation shall have obtained the approval of that member and of the member in whose currency the obligations are to be denominated:
- (ii) Invest funds not needed in its financing operations in such obligations as it may determine and invest funds held by it for pension or similar purposes in any marketable securities, all without being subject to the restrictions imposed by other sections of this article:
- (iii) Guarantee securities in which it has invested in order to facilitate their sale:
- (iv) Buy and sell securities it has issued or guaranteed or in which it has invested:
- (v) Exercise such other powers incidental to its business as shall be necessary or desirable in furtherance of its purposes.

Section 7—Valuation of currencies

Whenever it shall become necessary under this Agreement to value any currency in terms of the value of another currency, such valuation shall be as reasonably determined by the Corporation after consultation with the International Monetary Fund.

Section 8—Warning to be placed on securities

Every security issued or guaranteed by the Corporation shall bear on its face a conspicuous statement to the effect that it is not an obligation of the Bank or, unless expressly stated on the security, of any government.

Section 9—Political activity prohibited

The Corporation and its officers shall not interfere in the political affairs of any member; nor shall they be influenced in their decisions by the political character of the member or members concerned. Only economic considerations shall be relevant to their decisions, and these considerations shall be weighed impartially in order to achieve the purposes stated in this Agreement.

Article IV

Organisation and management

Section 1—Structure of the Corporation

The Corporation shall have a Board of Governors, a Board of Directors, a Chairman of the Board of Directors, a President and such other officers and staff to perform such duties as the Corporation may determine.

Section 2—Board of Governors

- (a) All the powers of the Corporation shall be vested in the Board of Governors.
- (b) Each Governor and Alternate Governor of the Bank appointed by a member of the Bank which is also a member of the Corporation shall *ex officio* be a Governor or Alternate Governor, respectively, of the Corporation. No Alternate Governor may vote except in the absence of his principal. The Board of Governors shall select one of the Governors as Chairman of the Board of Governors. Any Governor or Alternate Governor shall cease to hold office if the member by which he was appointed shall cease to be a member of the Corporation.
- (c) The Board of Governors may delegate to the Board of Directors authority to exercise any of its powers, except the power to:
 - (i) Admit new members and determine the conditions of their admission:
 - (ii) Increase or decrease the capital stock:
 - (iii) Suspend a member:

- (iv) Decide appeals from interpretations of this Agreement given by the Board of Directors:
 - (v) Make arrangements to cooperate with other international organisations (other than informal arrangements of a temporary and administrative character):
 - (vi) Decide to suspend permanently the operations of the Corporation and to distribute its assets:
 - (vii) Declare dividends:
 - (viii) Amend this Agreement.
- (d) The Board of Governors shall hold an annual meeting and such other meetings as may be provided for by the Board of Governors or called by the Board of Directors.
 - (e) The annual meeting of the Board of Governors shall be held in conjunction with the annual meeting of the Board of Governors of the Bank.
 - (f) A quorum for any meeting of the Board of Governors shall be a majority of the Governors, exercising not less than two-thirds of the total voting power.
 - (g) The Corporation may by regulation establish a procedure whereby the Board of Directors may obtain a vote of the Governors on a specific question without calling a meeting of the Board of Governors.
 - (h) The Board of Governors, and the Board of Directors to the extent authorised, may adopt such rules and regulations as may be necessary or appropriate to conduct the business of the Corporation.
 - (i) Governors and Alternate Governors shall serve as such without compensation from the Corporation.

Section 3—Voting

- (a) Each member shall have 250 votes plus one additional vote for each share of stock held.
- (b) Except as otherwise expressly provided, all matters before the Corporation shall be decided by a majority of the votes cast.

Section 4—Board of Directors

- (a) The Board of Directors shall be responsible for the conduct of the general operations of the Corporation, and for this purpose shall exercise all the powers given to it by this Agreement or delegated to it by the Board of Governors.
- (b) The Board of Directors of the Corporation shall be composed *ex officio* of each Executive Director of the Bank who shall have been either (i) appointed by a member of the Bank which is also a member of the Corporation, or (ii) elected in an election in which the votes of at least one member of the Bank which is also a member of the Corporation shall have counted towards his election. The Alternate to each such Executive Director of the Bank shall *ex officio* be an

Alternate Director of the Corporation. Any Director shall cease to hold office if the member by which he was appointed, or if all the members whose votes counted toward his election, shall cease to be members of the Corporation.

- (c) Each Director who is an appointed Executive Director of the Bank shall be entitled to cast the number of votes which the member by which he was so appointed is entitled to cast in the Corporation. Each Director who is an elected Executive Director of the Bank shall be entitled to cast the number of votes which the member or members of the Corporation whose votes counted toward his election in the Bank are entitled to cast in the Corporation. All the votes which a Director is entitled to cast shall be cast as a unit.
- (d) An Alternate Director shall have full power to act in the absence of the Director who shall have appointed him. When a Director is present, his alternate may participate in meetings but shall not vote.
- (e) A quorum for any meeting of the Board of Directors shall be a majority of the Directors exercising not less than one-half of the total voting power.
- (f) The Board of Directors shall meet as often as the business of the Corporation may require.
- (g) The Board of Governors shall adopt regulations under which a member of the Corporation not entitled to appoint an Executive Director of the Bank may send a representative to attend any meeting of the Board of Directors of the Corporation when a request made by, or a matter particularly affecting, that member is under consideration.

Section 5—Chairman, President, and staff

- (a) The President of the Bank shall be *ex officio* Chairman of the Board of Directors of the Corporation, but shall have no vote except a deciding vote in case of an equal division. He may participate in meetings of the Board of Governors but shall not vote at such meetings.
- (b) The President of the Corporation shall be appointed by the Board of Directors on the recommendation of the Chairman. The President shall be chief of the operating staff of the Corporation. Under the direction of the Board of Directors and the general supervision of the Chairman, he shall conduct the ordinary business of the Corporation and under their general control shall be responsible for the organisation, appointment and dismissal of the officers and staff. The President may participate in meetings of the Board of Directors but shall not vote at such meetings. The President shall cease to hold office by decision of the Board of Directors in which the Chairman concurs.
- (c) The President, officers and staff of the Corporation, in the discharge of their offices, owe their duty entirely to the Corporation and to no other authority. Each member of the Corporation shall respect the international character of this duty and shall refrain from all attempts to influence any of them in the discharge of their duties.

- (d) Subject to the paramount importance of securing the highest standards of efficiency and of technical competence, due regard shall be paid, in appointing the officers and staff of the Corporation, to the importance of recruiting personnel on as wide a geographical basis as possible.

Section 6—Relationship to the Bank

- (a) The Corporation shall be an entity separate and distinct from the Bank and the funds of the Corporation shall be kept separate and apart from those of the Bank. The Corporation shall not lend to or borrow from the Bank. The provisions of this section shall not prevent the Corporation from making arrangements with the Bank regarding facilities, personnel and services and arrangements for reimbursement of administrative expenses paid in the first instance by either organisation on behalf of the other.
- (b) Nothing in this Agreement shall make the Corporation liable for the acts or obligations of the Bank, or the Bank liable for the acts or obligations of the Corporation.

Section 7—Relations with other international organisations

The Corporation, acting through the Bank, shall enter into formal arrangements with the United Nations and may enter into such arrangements with other public international organisations having specialised responsibilities in related fields.

Section 8—Location of offices

The principal office of the Corporation shall be in the same locality as the principal office of the Bank. The Corporation may establish other offices in the territories of any member.

Section 9—Depositories

Each member shall designate its central bank as a depository in which the Corporation may keep holdings of such member's currency or other assets of the Corporation or, if it has no central bank, it shall designate for such purpose such other institution as may be acceptable to the Corporation.

Section 10—Channel of communication

Each member shall designate an appropriate authority with which the Corporation may communicate in connection with any matter arising under this Agreement.

Section 11—Publication of reports and provision of information

- (a) The Corporation shall publish an annual report containing an audited statement of its accounts and shall circulate to members at appropriate intervals a summary statement of its financial position and a profit and loss statement showing the results of its operations.

- (b) The Corporation may publish such other reports as it deems desirable to carry out its purposes.
- (c) Copies of all reports, statements and publications made under this section shall be distributed to members.

Section 12—Dividends

- (a) The Board of Governors may determine from time to time what part of the Corporation's net income and surplus, after making appropriate provision for reserves, shall be distributed as dividends.
- (b) Dividends shall be distributed *pro rata* in proportion to capital stock held by members.
- (c) Dividends shall be paid in such manner and in such currency or currencies as the Corporation shall determine.

Article V

Withdrawal, suspension of membership, suspension of operations

Section 1—Withdrawal by members

Any member may withdraw from membership in the Corporation at any time by transmitting a notice in writing to the Corporation at its principal office. Withdrawal shall become effective upon the date such notice is received.

Section 2—Suspension of membership

- (a) If a member fails to fulfil any of its obligations to the Corporation, the Corporation may suspend its membership by decision of a majority of the Governors, exercising a majority of the total voting power. The member so suspended shall automatically cease to be a member one year from the date of its suspension unless a decision is taken by the same majority to restore the member to good standing.
- (b) While under suspension, a member shall not be entitled to exercise any rights under this Agreement except the right of withdrawal, but shall remain subject to all obligations.

Section 3—Suspension or cessation of membership in the Bank

Any member which is suspended from membership in, or ceases to be a member of, the Bank shall automatically be suspended from membership in, or cease to be a member of, the Corporation, as the case may be.

Section 4—Rights and duties of governments ceasing to be members

- (a) When a government ceases to be a member it shall remain liable for all amounts due from it to the Corporation. The Corporation shall arrange for the repurchase of such government's capital stock as a part of the settlement of

accounts with it in accordance with the provisions of this section, but the government shall have no other rights under this Agreement except as provided in this section and in Article VIII(c).

- (b) The Corporation and the government may agree on the repurchase of the capital stock of the government on such terms as may be appropriate under the circumstances, without regard to the provisions of paragraph (c) below. Such agreement may provide, among other things, for a final settlement of all obligations of the government to the Corporation.
- (c) If such agreement shall not have been made within six months after the government ceases to be a member or such other time as the Corporation and such government may agree, the repurchase price of the government's capital stock shall be the value thereof shown by the books of the Corporation on the day when the government ceases to be a member. The repurchase of the capital stock shall be subject to the following conditions:
 - (i) Payments for shares of stock may be made from time to time, upon their surrender by the government, in such instalments, at such times and in such available currency or currencies as the Corporation reasonably determines, taking into account the financial position of the Corporation:
 - (ii) Any amount due to the government for its capital stock shall be withheld so long as the government or any of its agencies remains liable to the Corporation for payment of any amount and such amount may, at the option of the Corporation, be set off, as it becomes payable, against the amount due from the Corporation:
 - (iii) If the Corporation sustains a net loss on the investments made pursuant to Article III, section 1, and held by it on the date when the government ceases to be a member, and the amount of such loss exceeds the amount of the reserves provided therefor on such date, such government shall repay on demand the amount by which the repurchase price of its shares of stock would have been reduced if such loss had been taken into account when the repurchase price was determined.
- (d) In no event shall any amount due to a government for its capital stock under this section be paid until six months after the date upon which the government ceases to be a member. If within six months of the date upon which any government ceases to be a member the Corporation suspends operations under section 5 of this article, all rights of such government shall be determined by the provisions of such section 5 and such government shall be considered still a member of the Corporation for purposes of such section 5, except that it shall have no voting rights.

Section 5—Suspension of operations and settlement of obligations

- (a) The Corporation may permanently suspend its operations by vote of a majority of the Governors exercising a majority of the total voting power. After such suspension of operations the Corporation shall forthwith cease all activities,

except those incident to the orderly realisation, conservation and preservation of its assets and settlement of its obligations. Until final settlement of such obligations and distribution of such assets, the Corporation shall remain in existence and all mutual rights and obligations of the Corporation and its members under this Agreement shall continue unimpaired, except that no member shall be suspended or withdraw and that no distribution shall be made to members except as in this section provided.

- (b) No distribution shall be made to members on account of their subscriptions to the capital stock of the Corporation until all liabilities to creditors shall have been discharged or provided for and until the Board of Governors, by vote of a majority of the Governors exercising a majority of the total voting power, shall have decided to make such distribution.
- (c) Subject to the foregoing, the Corporation shall distribute the assets of the Corporation to members *pro rata* in proportion to capital stock held by them, subject, in the case of any member, to prior settlement of all outstanding claims by the Corporation against such member. Such distribution shall be made at such times, in such currencies, and in cash or other assets as the Corporation shall deem fair and equitable. The shares distributed to the several members need not necessarily be uniform in respect of the type of assets distributed or of the currencies in which they are expressed.
- (d) Any member receiving assets distributed by the Corporation pursuant to this section shall enjoy the same rights with respect to such assets as the Corporation enjoyed prior to their distribution.

Article VI

Status, immunities, and privileges

Section 1—Purposes of article

To enable the Corporation to fulfil the functions with which it is entrusted, the status, immunities and privileges set forth in this article shall be accorded to the Corporation in the territories of each member.

Section 2—Status of the Corporation

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

- (i) To contract;
- (ii) To acquire and dispose of immovable and movable property;
- (iii) To institute legal proceedings.

Section 3—Position of the Corporation with regard to judicial process

Actions may be brought against the Corporation only in a Court of competent jurisdiction in the territories of a member in which the Corporation has an office, has

appointed an agent for the purpose of accepting service or notice of process, or has issued or guaranteed securities. No actions shall, however, be brought by members or persons acting for or deriving claims from members. The property and assets of the Corporation shall, wheresoever located and by whomsoever held, be immune from all forms of seizure, attachment or execution before the delivery of final judgment against the Corporation.

Section 4—Immunity of assets from seizure

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

Section 5—Immunity of archives

The archives of the Corporation shall be inviolable.

Section 6—Freedom of assets from restrictions

To the extent necessary to carry out the operations provided for in this Agreement and subject to the provisions of Article III, section 5, and the other provisions of this Agreement, all property and assets of the Corporation shall be free from restrictions, regulations, controls and moratoria of any nature.

Section 7—Privilege for communications

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

Section 8—Immunities and privileges of officers and employees

All Governors, Directors, Alternates, officers and employees of the Corporation:

- (i) Shall be immune from legal process with respect to acts performed by them in their official capacity:
- (ii) Not being local nationals, shall be accorded the same immunities from immigration restrictions, alien registration requirements and national service obligations and the same facilities as regards exchange restrictions as are accorded by members to the representatives, officials, and employees of comparable rank of other members:
- (iii) Shall be granted the same treatment in respect of travelling facilities as is accorded by members to representatives, officials and employees of comparable rank of other members.

Section 9—Immunities from taxation

- (a) The Corporation, its assets, property, income and its operations and transactions authorised by this Agreement, shall be immune from all taxation and

from all Customs duties. The Corporation shall also be immune from liability for the collection or payment of any tax or duty.

- (b) No tax shall be levied on or in respect of salaries and emoluments paid by the Corporation to Directors, Alternates, officials or employees of the Corporation who are not local citizens, local subjects, or other local nationals.
- (c) No taxation of any kind shall be levied on any obligation or security issued by the Corporation (including any dividend or interest thereon) by whomsoever held:
 - (i) Which discriminates against such obligation or security solely because it is issued by the Corporation; or
 - (ii) If the sole jurisdictional basis for such taxation is the place or currency in which it is issued, made payable or paid, or the location of any office or place of business maintained by the Corporation.
- (d) No taxation of any kind shall be levied on any obligation or security guaranteed by the Corporation (including any dividend or interest thereon) by whomsoever held:
 - (i) Which discriminates against such obligation or security solely because it is guaranteed by the Corporation; or
 - (ii) If the sole jurisdictional basis for such taxation is the location of any office or place of business maintained by the Corporation.

Section 10—Application of article

Each member shall take such action as is necessary in its own territories for the purpose of making effective in terms of its own law the principles set forth in this article and shall inform the Corporation of the detailed action which it has taken.

Section 11—Waiver

The Corporation in its discretion may waive any of the privileges and immunities conferred under this article to such extent and upon such conditions as it may determine.

Article VII Amendments

- (a) This Agreement may be amended by vote of three-fifths of the Governors exercising 85 percent of the total voting power.
- (b) Notwithstanding paragraph (a) above, the affirmative vote of all Governors is required in the case of any amendment modifying:
 - (i) The right to withdraw from the Corporation provided in Article V, section 1;
 - (ii) The pre-emptive right secured by Article II, section 2(d);

- (iii) The limitation on liability provided in Article II, section 4.
- (c) Any proposal to amend this Agreement, whether emanating from a member, a Governor or the Board of Directors, shall be communicated to the Chairman of the Board of Governors, who shall bring the proposal before the Board of Governors. When an amendment has been duly adopted, the Corporation shall so certify by formal communication addressed to all members. Amendments shall enter into force for all members three months after the date of the formal communication unless the Board of Governors shall specify a shorter period.

Article VIII

Interpretation and arbitration

- (a) Any question of interpretation of the provisions of this Agreement arising between any member and the Corporation or between any members of the Corporation shall be submitted to the Board of Directors for its decision. If the question particularly affects any member of the Corporation not entitled to appoint an Executive Director of the Bank, it shall be entitled to representation in accordance with Article IV, section 4(g).
- (b) In any case where the Board of Directors has given a decision under (a) above, any member may require that the question be referred to the Board of Governors, whose decision shall be final. Pending the result of the reference to the Board of Governors, the Corporation may, so far as it deems necessary, act on the basis of the decision of the Board of Directors.
- (c) Whenever a disagreement arises between the Corporation and a country which has ceased to be a member, or between the Corporation and any member during the permanent suspension of the Corporation, such disagreement shall be submitted to arbitration by a tribunal of three arbitrators, one appointed by the Corporation, another by the country involved and an umpire who, unless the parties otherwise agree, shall be appointed by the President of the International Court of Justice or such other authority as may have been prescribed by regulation adopted by the Corporation. The umpire shall have full power to settle all questions of procedure in any case where the parties are in disagreement with respect thereto.

Article IX

Final provisions

Section 1—Entry into force

This Agreement shall enter into force when it has been signed on behalf of not less than 30 governments whose subscriptions comprise not less than 75 per cent of the total subscriptions set forth in Schedule A and when the instruments referred to in section 2(a) of this article have been deposited on their behalf, but in no event shall this Agreement enter into force before 1 October 1955.

Section 2—Signature

- (a) Each government on whose behalf this Agreement is signed shall deposit with the Bank an instrument setting forth that it has accepted this Agreement without reservation in accordance with its law and has taken all steps necessary to enable it to carry out all of its obligations under this Agreement.
- (b) Each government shall become a member of the Corporation as from the date of the deposit on its behalf of the instrument referred to in paragraph (a) above, except that no government shall become a member before this Agreement enters into force under section 1 of this article.
- (c) This Agreement shall remain open for signature until the close of business on 31 December 1956 at the principal office of the Bank on behalf of the governments of the countries whose names are set forth in Schedule A.
- (d) After this Agreement shall have entered into force, it shall be open for signature on behalf of the government of any country whose membership has been approved pursuant to Article II, section 1(b).

Section 3—Inauguration of the Corporation

- (a) As soon as this Agreement enters into force under section 1 of this article the Chairman of the Board of Directors shall call a meeting of the Board of Directors.
- (b) The Corporation shall begin operations on the date when such meeting is held.
- (c) Pending the first meeting of the Board of Governors, the Board of Directors may exercise all the powers of the Board of Governors except those reserved to the Board of Governors under this Agreement.

Done at Washington, in a single copy which shall remain deposited in the archives of the International Bank for Reconstruction and Development, which has indicated by its signature below its agreement to act as depository of this Agreement and to notify all governments whose names are set forth in Schedule A of the date when this Agreement shall enter into force under Article IX, section 1, hereof.

International Bank for Reconstruction and Development:
Eugene R. Black
President

[Here follow the signatures.]

Schedule 3 Article II section 2(c)(ii): replaced, on 24 November 2022, by section 4 of the International Finance Agreements Order 2022 (SL 2022/280).

Schedule 3 Article VII(a): amended, on 1 June 1993, by section 3(2) of the International Finance Agreements Amendment Act 1992 (1992 No 132).

Schedule A
Subscriptions to capital stock of the International Finance Corporation

Country	Number of shares	Amount \$(U.S.)
Australia	2,215	2,215,000
Austria	554	554,000
Belgium	2,492	2,492,000
Bolivia	78	78,000
Brazil	1,163	1,163,000
Burma	166	166,000
Canada	3,600	3,600,000
Ceylon	166	166,000
Chile	388	388,000
China	6,646	6,646,000
Colombia	388	388,000
Costa Rica	22	22,000
Cuba	388	388,000
Denmark	753	753,000
Dominican Republic	22	22,000
Ecuador	35	35,000
Egypt	590	590,000
El Salvador	11	11,000
Ethiopia	33	33,000
Finland	421	421,000
France	5,815	5,815,000
Germany	3,655	3,655,000
Greece	277	277,000
Guatemala	22	22,000
Haiti	22	22,000
Honduras	11	11,000
Iceland	11	11,000
India	4,431	4,431,000
Indonesia	1,218	1,218,000
Iran	372	372,000
Iraq	67	67,000
Israel	50	50,000
Italy	1,994	1,994,000
Japan	2,769	2,769,000
Jordan	33	33,000
Lebanon	50	50,000
Luxembourg	111	111,000
Mexico	720	720,000
Netherlands	3,046	3,046,000
Nicaragua	9	9,000

Country	Number of shares	Amount \$(U.S.)
Norway	554	554,000
Pakistan	1,108	1,108,000
Panama	2	2,000
Paraguay	16	16,000
Peru	194	194,000
Philippines	166	166,000
Sweden	1,108	1,108,000
Syria	72	72,000
Thailand	139	139,000
Turkey	476	476,000
Union of South Africa	1,108	1,108,000
United Kingdom	14,400	14,400,000
United States	35,168	35,168,000
Uruguay	116	116,000
Venezuela	116	116,000
Yugoslavia	443	443,000
Total	<hr/> 100,000	<hr/> \$100,000,000

Schedule 4

Resolution of Board of Governors setting forth the terms and conditions governing admission to membership in the International Monetary Fund

ss 3, 5(a)

WHEREAS, the Government of New Zealand on April 17, 1961, applied for admission to membership in the International Monetary Fund in accordance with Section 2 of Article II of the Articles of Agreement of the Fund; and

WHEREAS, pursuant to Section 21 of the By-Laws of the Fund, the Executive Directors have consulted with representatives of that Government and have agreed upon the terms and conditions which, in the opinion of the Executive Directors, the Board of Governors may wish to prescribe for admitting New Zealand to membership in the Fund;

Now, THEREFORE, the Board of Governors, having considered the recommendations of the Executive Directors, hereby resolves that the terms and conditions upon which New Zealand shall be admitted to membership in the Fund shall be as follows:

1. *Definitions:* As used in this Resolution:
 - (a) The term “Fund” means International Monetary Fund.
 - (b) The term “Articles” means the Articles of Agreement of the International Monetary Fund.
 - (c) The term “dollars” or “\$” means United States dollars of the weight and fineness in effect on July 1, 1944.
2. *Quota:* The quota of New Zealand shall be \$125 million.
3. *Subscription:* The subscription of New Zealand shall be equal to its quota, and not less than \$18 million of the subscription shall be paid in gold and the balance in the currency of New Zealand.
4. *Payment and Subscription:* The portion of the subscription to be paid in gold shall be paid not later than the day the Articles are signed on behalf of New Zealand. In case New Zealand does not acquire membership in the Fund the gold so paid shall be returned to it by the Fund. The remaining part of the subscription which has not been paid in gold shall be paid before the thirtieth day after the initial par value of the currency of New Zealand has been agreed in accordance with paragraph 5 below.
5. *Determination of Par Value:* Within 30 days after the Fund so requests, New Zealand shall communicate to the Fund a proposed par value for its currency, and within 60 days following the Fund’s receipt of the proposed par value, New Zealand and the Fund shall agree on an initial par value for the currency; provided that the Fund may extend the period of 60 days and that New Zealand shall be deemed to have withdrawn from the Fund if agreement on a par value has not been reached when the extended period expires. In the period between

- accepting membership and the establishment of an initial par value pursuant to this paragraph, New Zealand shall not change its exchange rates prevailing at the time of accepting membership without agreement with the Fund after prior consultation.
6. *Exchange Transactions with the Fund:* New Zealand may not engage in exchange transactions with the Fund (a) before the thirtieth day after the par value of its currency has been agreed in accordance with paragraph 5 above and (b) before its subscription has been fully paid.
 7. *Representation and Information:* Before accepting membership in the Fund, New Zealand shall represent to the Fund that it has taken all action necessary to sign and deposit the Instrument of Acceptance and sign the Articles, as contemplated by paragraph 8(a) and (b) of this Resolution, and New Zealand shall furnish to the Fund such information in respect of such action as the Fund may request.
 8. *Acceptance of Membership:* After the Fund shall have informed the Government of the United States of America that New Zealand has complied with the conditions set forth in paragraph 7 of this Resolution, New Zealand shall become a member of the Fund as of the date when New Zealand shall have complied with the following requirements:
 - (a) New Zealand shall deposit with the Government of the United States of America an instrument stating that it has accepted in accordance with its law the Articles and all the terms and conditions prescribed in this Resolution, and that it has taken all steps necessary to enable it to carry out all its obligations under the Articles and this Resolution; and
 - (b) New Zealand shall sign the original copy of the Articles held in the Archives of the Government of the United States of America.
 9. *Limitation on Period for Acceptance of Membership:* New Zealand may accept membership in the Fund pursuant to this Resolution within six months of the effective date of this Resolution, which date shall be the date of its adoption by the Board of Governors; provided, however, that, if extraordinary circumstances are deemed by the Executive Directors to warrant an extension of the period during which the applicant may accept membership pursuant to this Resolution, the Executive Directors may extend such period until such later date as they may determine.

Schedule 5

Resolution of Board of Governors setting forth the terms and conditions governing admission to membership in the International Bank for Reconstruction and Development

ss 3, 5(b)

WHEREAS, the Government of New Zealand has applied for admission to membership in the International Bank for Reconstruction and Development in accordance with Section 1(b) of Article II of the Articles of Agreement of the Bank; and

WHEREAS, pursuant to Section 20 of the By-Laws of the Bank, the Executive Directors, after consultation with representatives of the Government of New Zealand, have made recommendations to the Board of Governors regarding this application;

Now, THEREFORE, the Board of Governors hereby RESOLVES:

THAT the terms and conditions upon which New Zealand shall be admitted to membership in the Bank shall be as follows:

1. *Definitions:* As used in this Resolution:
 - (a) “Bank” means International Bank for Reconstruction and Development.
 - (b) “Articles” means the Articles of Agreement of the Bank.
 - (c) “Dollars” or “\$” means United States dollars of the weight and fineness in effect on July 1, 1944.
 - (d) “Subscription” means the capital stock of the Bank subscribed to by a member.
 - (e) “Member” means member of the Bank.
2. *Subscription:* By accepting membership in the Bank, New Zealand shall subscribe to 1,667 shares of the capital stock of the Bank at the par value of \$100,000 per share.
3. *Membership in the Fund:* Before accepting membership in the Bank, New Zealand shall accept membership in and become a member of the International Monetary Fund.
4. *Payments on Subscription:*
 - (a) Before accepting membership in the Bank, New Zealand shall pay to the Bank on account of the subscription price of one-half of such shares:
 - (i) Gold or United States dollars equal to 2% thereof; and
 - (ii) An amount in its own currency which, at the appropriate prevailing exchange rate, shall be equal to 18% thereof.
 - (b) With respect to the subscription price of the other one-half of such shares, the 2% portion payable in gold or United States dollars and the 18% portion payable in the currency of the member shall be left uncalled, as set forth in Resolution No. 129, on the same basis as the 2% and

18% portions of subscriptions made pursuant to Resolution No. 128 of the Board of Governors.

5. *Representation and Information:* Before accepting membership in the Bank, New Zealand shall represent to the Bank that it has taken all action necessary to sign and deposit the instrument of acceptance and sign the Articles as contemplated by paragraph 6(d) and (e) of this Resolution and New Zealand shall furnish to the Bank such information in respect of such action as the Bank may request.
6. *Acceptance of Membership:* New Zealand shall become a member of the Bank, with a subscription as set forth in paragraph 2 of this Resolution, as of the date when New Zealand shall have complied with the following requirements:
 - (a) Become a member of the International Monetary Fund;
 - (b) Made the payments called for by paragraph 4 of this Resolution;
 - (c) Furnished the representation, and such information as may have been requested, pursuant to paragraph 5 of this Resolution;
 - (d) Deposited with the Government of the United States of America an instrument stating that it has accepted in accordance with its law the Articles and all the terms and conditions prescribed in this Resolution, and that it has taken all steps necessary to enable it to carry out all its obligations under the Articles and this Resolution;
 - (e) Signed the original copy of the Articles held in the Archives of the Government of the United States of America.
7. *Limitation on Period for Acceptance of Membership:* New Zealand may accept membership in the Bank pursuant to this Resolution until January 19, 1962, provided, however, that, if extraordinary circumstances are deemed by the Executive Directors to warrant an extension of the period during which New Zealand may accept membership pursuant to this Resolution, the Executive Directors may extend such period.

Schedule 6

Resolution of Board of Governors setting forth the terms and conditions governing admission to membership in the International Finance Corporation

ss 3, 5(c)

WHEREAS, the Government of New Zealand has applied for admission to membership in the International Finance Corporation in accordance with Section 1(b) of Article II of the Articles of Agreement of the Corporation; and

WHEREAS, pursuant to Section 17 of the By-Laws of the Corporation, the Board of Directors, after consultation with representatives of the Government of New Zealand, have made recommendations to the Board of Governors regarding the application of said Government;

Now THEREFORE, the Board of Governors hereby RESOLVES:

THAT the terms and conditions upon which New Zealand shall be admitted to membership in the Corporation shall be as follows:

1. *Definitions:* As used in this Resolution:
 - (a) "Corporation" means International Finance Corporation.
 - (b) "Articles" means the Articles of Agreement of the Corporation.
 - (c) "Dollars" or "\$" means United States dollars.
 - (d) "Subscription" means the capital stock of the Corporation subscribed by a member.
 - (e) "Member" means member of the Corporation.
2. *Subscription:* By accepting membership in the Corporation, New Zealand shall subscribe to 923 shares of the capital stock of the Corporation at the par value of \$1,000 per share.
3. *Membership in the Bank:* Before accepting membership in the Corporation, New Zealand shall accept membership in and become a member of the International Bank for Reconstruction and Development.
4. *Payments on Subscription:* Before accepting membership in the Corporation, New Zealand shall pay \$923,000 to the Corporation in full payment of the capital stock subscribed.
5. *Information:* Before accepting membership in the Corporation, New Zealand shall furnish to the Corporation such information relating to its application for membership as the Corporation may request.
6. *Acceptance of Membership:* New Zealand shall become a member of the Corporation, with a subscription as set forth in paragraph 2 of this Resolution, as of the date when New Zealand shall have complied with the following requirements:
 - (a) Made the payment called for by paragraph 4 of this Resolution;

- (b) Furnished such information as may have been requested by the Corporation pursuant to paragraph 5 of this Resolution;
 - (c) Deposited with the International Bank for Reconstruction and Development an instrument stating that it has accepted without reservation in accordance with its law the Articles and all the terms and conditions prescribed in this Resolution, and that it has taken all steps necessary to enable it to carry out all its obligations under the Articles and this Resolution; and
 - (d) Signed the original copy of the Articles held by the International Bank for Reconstruction and Development.
7. *Limitation on Period for Acceptance of Membership:* New Zealand may accept membership in the Corporation pursuant to this Resolution until January 19, 1962, provided, however, that, if extraordinary circumstances are deemed by the Board of Directors to warrant an extension of the period during which New Zealand may accept membership pursuant to this Resolution, the Board of Directors may extend such period.

Schedule 7

Convention Establishing the Multilateral Investment Guarantee Agency

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Schedule 7: inserted, on 20 September 2007, by section 13 of the International Finance Agreements Amendment Act 2007 (2007 No 87).

Division and Calls of Subscribed Capital

Preamble

The Contracting States

Considering the need to strengthen international cooperation for economic development and to foster the contribution to such development of foreign investment in general and private foreign investment in particular;

Recognizing that the flow of foreign investment to developing countries would be facilitated and further encouraged by alleviating concerns related to non-commercial risks;

Desiring to enhance the flow to developing countries of capital and technology for productive purposes under conditions consistent with their development needs, policies and objectives, on the basis of fair and stable standards for the treatment of foreign investment;

Convinced that the Multilateral Investment Guarantee Agency can play an important role in the encouragement of foreign investment complementing national and regional investment guarantee programs and private insurers of non-commercial risk; and

Realizing that such Agency should, to the extent possible, meet its obligations without resort to its callable capital and that such an objective would be served by continued improvement in investment conditions,

Have Agreed as follows:

Chapter I

Establishment, Status, Purposes and Definitions

Article 1—Establishment and Status of the Agency

- (a) There is hereby established the Multilateral Investment Guarantee Agency (hereinafter called the Agency).
- (b) The Agency shall possess full juridical personality and, in particular, the capacity to:
 - (i) contract;
 - (ii) acquire and dispose of movable and immovable property; and
 - (iii) institute legal proceedings.

Article 2—Objective and Purposes

The objective of the Agency shall be to encourage the flow of investments for productive purposes among member countries, and in particular to develop member countries, thus supplementing the activities of the International Bank for Reconstruction and Development (hereinafter referred to as the Bank), the International Finance Corporation and other international development finance institutions.

To serve its objective, the Agency shall:

- (a) issue guarantees, including coinsurance and reinsurance, against non-commercial risks in respect of investments in a member country which flow from other member countries;
- (b) carry out appropriate complementary activities to promote the flow of investments to and among developing member countries; and
- (c) exercise such other incidental powers as shall be necessary or desirable in the furtherance of its objective.

The Agency shall be guided in all its decisions by the provisions of this Article.

Article 3—Definitions

For the purposes of this Convention:

- (a) “Member” means a State with respect to which this Convention has entered into force in accordance with Article 61.
- (b) “Host country” or “host government” means a member, its government, or any public authority of a member in whose territories, as defined in Article 66, an investment which has been guaranteed or reinsured, or is considered for guarantee or reinsurance, by the Agency is to be located.
- (c) A “developing member country” means a member which is listed as such in Schedule A hereto as this Schedule may be amended from time to time by the Council of Governors referred to in Article 30 (hereinafter called the Council).
- (d) A “special majority” means an affirmative vote of not less than two-thirds of the total voting power representing not less than fifty-five percent of the subscribed shares of the capital stock of the Agency.
- (e) A “freely usable currency” means (i) any currency designated as such by the International Monetary Fund from time to time and (ii) any other freely available and effectively usable currency which the Board of Directors referred to in Article 30 (hereinafter called the Board) may designate for the purposes of this Convention after consultation with the International Monetary Fund and with the approval of the country of such currency.

Chapter II Membership and Capital

Article 4—Membership

- (a) Membership in the Agency shall be open to all members of the Bank and to Switzerland.
- (b) Original member shall be the States which are listed in Schedule A hereto and become parties to this Convention on or before October 30, 1987.

Article 5—Capital

- (a) The authorized capital stock of the Agency shall be one billion Special Drawing Rights (SDR 1,000,000,000). The capital stock shall be divided into 100,000 shares having a par value of SDR 10,000 each, which shall be available for subscription by members. All payment obligations of members with respect to capital stock shall be settled on the basis of the average value of the SDR in terms of United States dollars for the period January 1, 1981 to June 30, 1985, such value being 1.082 United States dollars per SDR.
- (b) The capital stock shall increase on the admission of a new member to the extent that the then authorized shares are insufficient to provide the shares to be subscribed by such member pursuant to Article 6.
- (c) The Council, by special majority, may at any time increase the capital stock of the Agency.

Article 6—Subscription of Shares

Each original member of the Agency shall subscribe at par to the number of shares of capital stock set forth opposite its name in Schedule A hereto. Each other member shall subscribe to such number of shares of capital stock on such terms and conditions as may be determined by the Council, but in no event at an issue price of less than par. No member shall subscribe to less than fifty shares. The Council may prescribe rules by which members may subscribe to additional shares of the authorized capital stock.

Article 7—Division and Calls of Subscribed Capital

The initial subscription of each member shall be paid as follows:

- (i) Within ninety days from the date on which this Convention enters into force with respect to such member, ten percent of the price of each share shall be paid in cash as stipulated in Section (a) of Article 8 and an additional ten percent in the form of non-negotiable, non-interest-bearing promissory notes or similar obligations to be encashed pursuant to a decision of the Board in order to meet the Agency's obligations.
- (ii) The remainder shall be subject to call by the Agency when required to meet its obligations.

Article 8—Payment of Subscription of Shares

- (a) Payments of subscriptions shall be made in freely usable currencies except that payments by developing member countries may be made in their own currencies up to twenty-five percent of the paid-in cash portion of their subscriptions payable under Article 7 (i).
- (b) Calls on any portion of unpaid subscriptions shall be uniform on all shares.
- (c) If the amount received by the Agency on a call shall be insufficient to meet the obligations which have necessitated the call, the Agency may make further successive calls on unpaid subscriptions until the aggregate amount received by it shall be sufficient to meet such obligations.
- (d) Liability on shares shall be limited to the unpaid portion of the issue price.

Article 9—Valuation of Currencies

Whenever it shall be necessary for the purposes of this Convention to determine the value of one currency in terms of another, such value shall be as reasonably determined by the Agency, after consultation with the International Monetary Fund.

Article 10—Refunds

- (a) The Agency shall, as soon as practicable, return to members amounts paid on calls on subscribed capital if and to the extent that:
 - (i) the call shall have been made to pay a claim resulting from a guarantee or reinsurance contract and thereafter the Agency shall have recovered its payment, in whole or in part, in a freely usable currency; or
 - (ii) the call shall have been made because of a default in payment by a member and thereafter such member shall have made good such default in whole or in part; or
 - (iii) the Council, by special majority, determines that the financial position of the Agency permits all or part of such amounts to be returned out of the Agency's revenues.
- (b) Any refund effected under this Article to a member shall be made in freely usable currency in the proportion of the payments made by that member to the total amount paid pursuant to calls made prior to such refund.
- (c) The equivalent of amounts refunded under this Article to a member shall become part of the callable capital obligations of the member under Article 7 (ii).

Chapter III Operations

Article 11—Covered Risks

- (a) Subject to the provisions of Sections (b) and (c) below, the Agency may guarantee eligible investments against a loss resulting from one or more of the following types of risk:
- (i) *Currency Transfer*
any introduction attributable to the host government of restrictions on the transfer outside the host country of its currency into a freely usable currency or another currency acceptable to the holder of the guarantee, including a failure of the host government to act within a reasonable period of time on an application by such holder for such transfer;
 - (ii) *Expropriation and Similar Measures*
any legislative action or administrative action or omission attributable to the host government which has the effect of depriving the holder of a guarantee of his ownership or control of, or a substantial benefit from, his investment, with the exception of non-discriminatory measures of general application which the governments normally take for the purpose of regulating economic activity in their territories;
 - (iii) *Breach of Contract*
any repudiation or breach by the host government of a contract with the holder of a guarantee, when (a) the holder of a guarantee does not have recourse to a judicial or arbitral forum to determine the claim of repudiation or breach, or (b) a decision by such forum is not rendered within such reasonable period of time as shall be prescribed in the contracts of guarantee pursuant to the Agency's regulations, or (c) such a decision cannot be enforced; and
 - (iv) *War and Civil Disturbance*
any military action or civil disturbance in any territory of the host country to which this Convention shall be applicable as provided in Article 66.
- (b) Upon the joint application of the investor and the host country, the Board, by special majority, may approve the extension of coverage under this Article to specific non-commercial risks other than those referred to in Section (a) above, but in no case to the risk of devaluation or depreciation of currency.
- (c) Losses resulting from the following shall not be covered:
- (i) any host government action or omission to which the holder of the guarantee has agreed or for which he has been responsible; and

- (ii) any host government action or omission or any other event occurring before the conclusion of the contract of guarantee.

Article 12—Eligible Investments

- (a) Eligible investments shall include equity interest, including medium- or long-term loans made or guaranteed by holders of equity in the enterprise concerned, and such forms of direct investment as may be determined by the Board.
- (b) The Board, by special majority, may extend eligibility to any other medium- or long-term form of investment, except that loans other than those mentioned in Section (a) above may be eligible only if they are related to a specific investment covered or to be covered by the Agency.
- (c) Guarantees shall be restricted to investments the implementation of which begins subsequent to the registration of the application for the guarantee by the Agency. Such investments may include:
 - (i) any transfer of foreign exchange made to modernize, expand, or develop an existing investment; and
 - (ii) the use of earnings from existing investments which could otherwise be transferred outside the host country.
- (d) In guaranteeing an investment, the Agency shall satisfy itself as to:
 - (i) the economic soundness of the investment and its contribution to the development of the host country;
 - (ii) compliance of the investment with the host country's laws and regulations;
 - (iii) consistency of the investment with the declared development objectives and priorities of the host country; and
 - (iv) the investment conditions in the host country, including the availability of fair and equitable treatment and legal protection for the investment.

Article 13—Eligible Investors

- (a) Any natural person and any juridical person may be eligible to receive the Agency's guarantee provided that:
 - (i) such natural person is a national of a member other than the host country;
 - (ii) such juridical person is incorporated and has its principal place of business in a member or the majority of its capital is owned by a member or members or nationals thereof, provided that such member is not the host country in any of the above cases; and
 - (iii) such juridical person, whether or not it is privately owned, operates on a commercial basis.

- (b) In case the investor has more than one nationality, for the purposes of Section (a) above the nationality of a member shall prevail over the nationality of a non-member, and the nationality of the host country shall prevail over the nationality of any other member.
- (c) Upon the joint application of the investor and the host country, the Board, by special majority, may extend eligibility to a natural person who is a national of the host country or a juridical person which is incorporated in the host country or the majority of whose capital is owned by its nationals, provided that the assets invested are transferred from outside the host country.

Article 14—Eligible Host Countries

Investments shall be guaranteed under this Chapter only if they are to be made in the territory of a developing member country.

Article 15—Host Country Approval

The Agency shall not conclude any contract of guarantee before the host government has approved the issuance of the guarantee by the Agency against the risks designated for cover.

Article 16—Terms and Conditions

The terms and conditions of each contract of guarantee shall be determined by the Agency subject to such rules and regulations as the Board shall issue, provided that the Agency shall not cover the total loss of the guaranteed investment. Contracts of guarantee shall be approved by the President under the direction of the Board.

Article 17—Payment of Claims

The President under the direction of the Board shall decide on the payment of claims to a holder of a guarantee in accordance with the contract of guarantee and such policies as the Board may adopt. Contracts of guarantee shall require holders of guarantees to seek, before a payment is made by the Agency, such administrative remedies as may be appropriate under the circumstances, provided that they are readily available to them under the laws of the host country. Such contracts may require the lapse of certain reasonable periods between the occurrence of events giving rise to claims and payments of claims.

Article 18—Subrogation

- (a) Upon paying or agreeing to pay compensation to a holder of a guarantee, the Agency shall be subrogated to such rights or claims related to the guaranteed investment as the holder of a guarantee may have had against the host country and other obligors. The contract of guarantee shall provide the terms and conditions of such subrogation.
- (b) The rights of the Agency pursuant to Section (a) above shall be recognized by all members.

- (c) Amounts in the currency of the host country acquired by the Agency as subrogee pursuant to Section (a) above shall be accorded, with respect to use and conversion, treatment by the host country as favorable as the treatment to which such funds would be entitled in the hands of the holder of the guarantee. In any case, such amounts may be used by the Agency for the payment of its administrative expenditures and other costs. The Agency shall also seek to enter into arrangements with host countries on other uses of such currencies to the extent that they are not freely usable.

Article 19—Relationship to National and Regional Entities

The Agency shall cooperate with, and seek to complement the operations of, national entities of members and regional entities the majority of whose capital is owned by members, which carry out activities similar to those of the Agency, with a view to maximizing both the efficiency of their respective services and their contribution to increased flows of foreign investment. To this end, the Agency may enter into arrangements with such entities on the details of such cooperation, including in particular the modalities of reinsurance and coinsurance.

Article 20—Reinsurance of National and Regional Entities

- (a) The Agency may issue reinsurance in respect of a specific investment against a loss resulting from one or more of the non-commercial risks underwritten by a member or agency thereof or by a regional investment guarantee agency the majority of whose capital is owned by members. The Board, by special majority, shall from time to time prescribe maximum amounts of contingent liability which may be assumed by the Agency with respect to reinsurance contracts. In respect of specific investments which have been completed more than twelve months prior to receipt of the application for reinsurance by the Agency, the maximum amount shall initially be set at ten percent of the aggregate contingent liability of the Agency under this Chapter. The conditions of eligibility specified in Articles 11 and 14 shall apply to reinsurance operations, except that the reinsured investments need not be implemented subsequent to the application for reinsurance.
- (b) The mutual rights and obligations of the Agency and a reinsured member or agency shall be stated in contracts of reinsurance subject to such rules and regulations as the Board shall issue. The Board shall approve each contract for reinsurance covering an investment which has been made prior to receipt of the application for reinsurance by the Agency, with a view to minimizing risks, assuring that the Agency receives premiums commensurate with its risk, and assuring that the reinsured entity is appropriately committed toward promoting new investment in developing member countries.
- (c) The Agency shall, to the extent possible, assure that it or the reinsured entity shall have the rights of subrogation and arbitration equivalent to those the Agency would have if it were the primary guarantor. The terms and conditions of reinsurance shall require that administrative remedies are sought in accord-

ance with Article 17 before a payment is made by the Agency. Subrogation shall be effective with respect to the host country concerned only after its approval of the reinsurance by the Agency. The Agency shall include in the contracts of reinsurance provisions requiring the reinsured to pursue with due diligence the rights or claims related to the reinsured investment.

Article 21—Cooperation with Private Insurers and with Reinsurers

- (a) The Agency may enter into arrangements with private insurers in member countries to enhance its own operations and encourage such insurers to provide coverage of non-commercial risks in developing member countries on conditions similar to those applied by the Agency. Such arrangements may include the provision of reinsurance by the Agency under the conditions and procedures specified in Article 20.
- (b) The Agency may reinsure with any appropriate reinsurance entity, in whole or in part, any guarantee or guarantees issued by it.
- (c) The Agency will in particular seek to guarantee investments for which comparable coverage on reasonable terms is not available from private insurers and reinsurers.

Article 22—Limits of Guarantee

- (a) Unless determined otherwise by the Council by special majority, the aggregate amount of contingent liabilities which may be assumed by the Agency under this Chapter shall not exceed one hundred and fifty percent of the amount of the Agency's unimpaired subscribed capital and its reserves plus such portion of its reinsurance cover as the Board may determine. The Board shall from time to time review the risk profile of the Agency's portfolio in the light of its experience with claims, degree of risk diversification, reinsurance cover and other relevant factors with a view to ascertaining whether changes in the maximum aggregate amount of contingent liabilities should be recommended to the Council. The maximum amount determined by the Council shall not under any circumstances exceed five times the amount of the Agency's unimpaired subscribed capital, its reserves and such portion of its reinsurance cover as may be deemed appropriate.
- (b) Without prejudice to the general limit of guarantee referred to in Section (a) above, the Board may prescribe:
 - (i) maximum aggregate amounts of contingent liability which may be assumed by the Agency under this Chapter for Guarantees issued to investors of each individual member. In determining such maximum amounts, the Board shall give due consideration to the share of the respective member in the capital of the Agency and the need to apply more liberal limitations in respect of investments originating in developing member countries; and

- (ii) maximum aggregate amounts of contingent liability which may be assumed by the Agency with respect to such risk diversification factors as individual projects, individual host countries and types of investment or risk.

Article 23—Investment Promotion

- (a) The Agency shall carry out research, undertake activities to promote investment flows and disseminate information on investment opportunities in developing member countries, with a view to improving the environment for foreign investment flows to such countries. The Agency may, upon the request of a member, provide technical advice and assistance to improve the investment conditions in the territories of that member. In performing these activities, the Agency shall:
 - (i) be guided by relevant investment agreements among member countries;
 - (ii) seek to remove impediments, in both developed and developing member countries, to the flow of investment to developing member countries; and
 - (iii) coordinate with other agencies concerned with the promotion of foreign investment, and in particular the International Finance Corporation.
- (b) The Agency also shall:
 - (i) encourage the amicable settlement of disputes between investors and host countries;
 - (ii) endeavor to conclude agreements with developing member countries, and in particular with prospective host countries, which will assure that the Agency, with respect to investment guaranteed by it, has treatment at least as favorable as that agreed by the member concerned for the most favored investment guarantee agency or State in an agreement relating to investment, such agreements to be approved by special majority of the Board; and
 - (iii) promote and facilitate the conclusion of agreements, among its members, on the promotion and protection of investments.
- (c) The Agency shall give particular attention in its promotional efforts to the importance of increasing the flow of investments among developing member countries.

Article 24—Guarantees of Sponsored Investments

In addition to the guarantee operations undertaken by the Agency under this Chapter, the Agency may guarantee investments under the sponsorship arrangements provided for in Annex I to this Convention.

Chapter IV

Financial Provisions

Article 25—Financial Management

The Agency shall carry out its activities in accordance with sound business and prudent financial management practices with a view to maintaining under all circumstances its ability to meet its financial obligations.

Article 26—Premiums and Fees

The Agency shall establish and periodically review the rates of premiums, fees and other charges, if any applicable to each type of risk.

Article 27—Allocation of Net Income

- (a) Without prejudice to the provisions of Section (a)(iii) of Article 10, the Agency shall allocate net income to reserves until such reserves reach five times the subscribed capital of the Agency.
- (b) After the reserves of the Agency have reached the level prescribed in Section (a) above, the Council shall decide whether, and to what extent, the Agency's net income shall be allocated to reserves, be distributed to the Agency's members or be used otherwise. Any distribution of net income to the Agency's members shall be made in proportion to the share of each member in the capital of the Agency in accordance with a decision of the Council acting by special majority.

Article 28—Budget

The President shall prepare an annual budget of revenues and expenditures of the Agency for approval by the Board.

Article 29—Accounts

The Agency shall publish an Annual Report which shall include statements of its accounts and of the accounts of the Sponsorship Trust Fund referred to in Annex I to this Convention, as audited by independent auditors. The Agency shall circulate to members at appropriate intervals a summary statement of its financial position and a profit and loss statement showing the results of its operations.

Chapter V

Organization and Management

Article 30—Structure of the Agency

The Agency shall have a Council of Governors, a Board of Directors, a President and staff to perform such duties as the Agency may determine.

Article 31—The Council

- (a) All the powers of the Agency shall be vested in the Council, except such powers as are, by the terms of this Convention, specifically conferred upon another organ of the Agency. The Council may delegate to the Board the exercise of any of its powers, except the power to:
- (i) admit new members and determine the conditions of their admission;
 - (ii) suspend a member;
 - (iii) decide on any increase or decrease in capital;
 - (iv) increase the limit of the aggregate amount of contingent liabilities pursuant to Section (a) of Article 22;
 - (v) designate a member as a developing member country pursuant to Section (c) of Article 3;
 - (vi) classify a new member as belonging to Category One or Category Two for voting purposes pursuant to Section (a) of Article 39 or reclassify an existing member for the same purposes;
 - (vii) determine the compensation of Directors and their Alternates;
 - (viii) cease operations and liquidate the Agency;
 - (ix) distribute assets to members upon liquidation; and
 - (x) amend this Convention, its Annexes and Schedules.
- (b) The council shall be composed of one Governor and one Alternate appointed by each member in such manner as it may determine. No Alternate may vote except in the absence of his principal. The Council shall select one of the Governors as Chairman.
- (c) The Council shall hold an annual meeting and such other meetings as may be determined by the Council or called by the Board. The Board shall call a meeting of the Council whenever requested by five members or by members having twenty-five percent of the total voting power.

Article 32—The Board

- (a) The Board shall be responsible for the general operations of the Agency and shall take, in the fulfillment of this responsibility, any action required or permitted under this Convention.
- (b) The Board shall consist of not less than twelve Directors. The number of Directors may be adjusted by the Council to take into account changes in membership. Each Director may appoint an Alternate with full power to act for him in case of the Director's absence or inability to act. The President of the Bank shall be *ex officio* Chairman of the Board, but shall have no vote except a deciding vote in case of an equal division.
- (c) The Council shall determine the term of office of the Directors. The first Board shall be constituted by the Council at its inaugural meeting.

- (d) The Board shall meet at the call of its Chairman acting on his own initiative or upon request of three Directors.
- (e) Until such time as the Council may decide that the Agency shall have a resident Board which functions in continuous session, the Directors and Alternates shall receive compensation only for the cost of attendance at the meetings of the Board and the discharge of other official functions on behalf of the Agency. Upon the establishment of a Board in continuous session, the Directors and Alternates shall receive such remuneration as may be determined by the Council.

Article 33—President and Staff

- (a) The President shall, under the general control of the Board, conduct the ordinary business of the Agency. He shall be responsible for the organization, appointment and dismissal of the staff.
- (b) The President shall be appointed by the Board on the nomination of its Chairman. The Council shall determine the salary and terms of the contract of service of the President.
- (c) In the discharge of their offices, the President and the staff owe their duty entirely to the Agency and to no other authority. Each member of the Agency shall respect the international character of this duty and shall refrain from all attempts to influence the President or the staff in the discharge of their duties.
- (d) In appointing the staff, the President shall, subject to the paramount importance of securing the highest standards of efficiency and of technical competence, pay due regard to the importance of recruiting personnel on as wide a geographical basis as possible.
- (e) The President and staff shall maintain at all times the confidentiality of information obtained in carrying out the Agency's operations.

Article 34—Political Activity Prohibited

The Agency, its President and staff shall not interfere in the political affairs of any member. Without prejudice to the right of the Agency to take into account all the circumstances surrounding an investment, they shall not be influenced in their decisions by the political character of the member or members concerned. Considerations relevant to their decisions shall be weighed impartially in order to achieve the purposes stated in Article 2.

Article 35—Relations with International Organizations

The Agency shall, within the terms of this Convention, cooperate with the United Nations and with other inter-governmental organizations having specialized responsibilities in related fields, including in particular the Bank and the International Finance Corporation.

Article 36—Location of Principal Office

- (a) The principal office of the Agency shall be located in Washington, D.C., unless the Council, by special majority, decides to establish it in another location.
- (b) The Agency may establish other offices as may be necessary for its work.

Article 37—Depositories for Assets

Each member shall designate its central bank as a depository in which the Agency may keep holdings of such member's currency or other assets of the Agency or, if it has no central bank, it shall designate for such purpose such other institution as may be acceptable to the Agency.

Article 38—Channel of Communication

- (a) Each member shall designate an appropriate authority with which the Agency may communicate in connection with any matter arising under this Convention. The Agency may rely on statements of such authority as being statements of the member. The Agency, upon the request of a member, shall consult with that member with respect to matters dealt with in Articles 19 to 21 and related to entities or insurers of that member.
- (b) Whenever the approval of any member is required before any act may be done by the Agency, approval shall be deemed to have been given unless the member presents an objection within such reasonable period as the Agency may fix in notifying the member of the proposed act.

Chapter VI

Voting, Adjustments of Subscriptions and Representation

Article 39—Voting and Adjustments of Subscriptions

- (a) In order to provide for voting arrangements that reflect the equal interest in the Agency of the two Categories of States listed in Schedule A of this Convention, as well as the importance of each member's financial participation, each member shall have 177 membership votes plus one subscription vote for each share of stock held by that member.
- (b) If at any time within three years after the entry into force of this Convention the aggregate sum of membership and subscription votes of members which belong to either of the two Categories of States listed in Schedule A of this Convention is less than forty percent of the total voting power, members from such a Category shall have such number of supplementary votes as shall be necessary for the aggregate voting power of the Category to equal such a percentage of the total voting power. Such supplementary votes shall be distributed among the members of such Category in the proportion that the subscription votes of each bears to the aggregate of subscription votes of the Category. Such supplementary votes shall be subject to automatic adjustment to ensure

that such percentage is maintained and shall be canceled at the end of the above-mentioned three-year period.

- (c) During the third year following the entry into force of this Convention, the Council shall review the allocation of shares and shall be guided in its decision by the following principles:
 - (i) the votes of members shall reflect actual subscriptions to the Agency's capital and the membership votes as set out in Section (a) of this Article;
 - (ii) shares allocated to countries which shall not have signed the Convention shall be made available for reallocation to such members and in such manner as to make possible voting parity between the above-mentioned Categories; and
 - (iii) the council will take measures that will facilitate members' ability to subscribe to share allocated to them.
- (d) Within the three-year period provided for in Section (b) of this Article, all decisions of the Council and Board shall be taken by special majority, except that decisions requiring a higher majority under this Convention shall be taken by such higher majority.
- (e) In case the capital stock of the Agency is increased pursuant to Section (c) of Article 5, each member which so requests shall be authorized to subscribe a proportion of the increase equivalent to the proportion which its stock theretofore subscribed bears to the total capital stock of the Agency, but no member shall be obligated to subscribe any part of the increased capital.
- (f) The Council shall issue regulations regarding the making of additional subscriptions under Section (e) of this Article. Such regulations shall prescribe reasonable time limits for the submission by members of requests to make such subscriptions.

Article 40—Voting in the Council

- (a) Each Governor shall be entitled to cast the votes of the member he represents. Except as otherwise specified in this Convention, decisions of the Council shall be taken by a majority of the votes cast.
- (b) A quorum for any meeting of the Council shall be constituted by a majority of the Governors exercising not less than two-thirds of the total voting power.
- (c) The Council may by regulation establish a procedure whereby the Board, when it deems such action to be in the best interests of the Agency, may request a decision of the Council on a specific question without calling a meeting of the Council.

Article 41—Election of Directors

- (a) Directors shall be elected in accordance with Schedule B.

- (b) Directors shall continue in office until their successors are elected. If the office of a Director becomes vacant more than ninety days before the end of his term, another Director shall be elected for the remainder of the term by the Governors who elected the former Director. A majority of the votes cast shall be required for election. While the office remains vacant, the Alternate of the Former Director shall exercise his powers, except that of appointing an Alternate.

Article 42—Voting in the Board

- (a) Each Director shall be entitled to cast the number of votes of the members whose votes counted towards his election. All the votes which a Director is entitled to cast shall be cast as a unit. Except as otherwise specified in this Convention, decisions of the Board shall be taken by a majority of the votes cast.
- (b) A quorum for a meeting of the Board shall be constituted by a majority of the Directors exercising not less than on-half of the total voting power.
- (c) The Board may by regulation establish a procedure whereby its Chairman, when he deems such action to be in the best interests of the Agency, may request a decision of the Board on a specific question without calling a meeting of the Board.

Chapter VII Privileges and Immunities

Article 43—Purposes of Chapter

To enable the Agency to fulfill its functions, the immunities and privileges set forth in this Chapter shall be accorded to the Agency in the territories of each member.

Article 44—Legal Process

Actions other than those within the scope of Articles 57 and 58 may be brought against the Agency only in a court of competent jurisdiction in the territories of a member in which the Agency has an office or has appointed an agent for the purpose of accepting service or notice of process. No such action against the Agency shall be brought (i) by members or persons acting for or deriving claims from members or (ii) in respect of personnel matters. The property and assets of the Agency shall, wherever located and by whomsoever held, be immune from all forms of seizure, attachment or execution before the delivery of the final judgment or award against the Agency.

Article 45—Assets

- (a) The property and assets of the Agency, wherever located and by whomsoever held, shall be immune from search, requisition, confiscation, expropriation or any other form of seizure by executive or legislative action.

- (b) To the extent necessary to carry out its operations under this Convention, all property and assets of the Agency shall be free from restrictions, regulations, controls and moratoria of any nature; provided that property and assets acquired by the Agency as successor to or subrogee of a holder of a guarantee, a reinsured entity or an investor insured by a reinsured entity shall be free from applicable foreign exchange restrictions, regulations and controls in force in the territories of the member concerned to the extent that the holder, entity or investor to whom the Agency was subrogated was entitled to such treatment.
- (c) For purposes of this Chapter, the term “assets” shall include the assets of the Sponsorship Trust Fund referred to in Annex I to this Convention and other assets administered by the Agency in furtherance of its objective.

Article 46—Archives and Communications

- (a) The archives of the Agency shall be inviolable, wherever they may be.
- (b) The official communications of the Agency shall be accorded by each member the same treatment that is accorded to the official communications of the Bank.

Article 47—Taxes

- (a) The Agency, its assets, property and income, and its operations and transactions authorized by this Convention, shall be immune from all taxes and customs duties. The Agency shall also be immune from liability for the collection or payment of any tax or duty.
- (b) Except in the case of local nationals, no tax shall be levied on or in respect of expense allowances paid by the Agency to Governors and their Alternates or on or in respect of salaries, expense allowances or other emoluments paid by the Agency to the Chairman of the Board, Directors, their Alternates, the President or staff of the Agency.
- (c) No taxation of any kind shall be levied on any investment guaranteed or reinsured by the Agency (including any earnings therefrom) or any insurance policies reinsured by the Agency (including any premiums and other revenues therefrom) by whomsoever held: (i) which discriminates against such investment or insurance policy solely because it is guaranteed or reinsured by the Agency; or (ii) if the sole jurisdictional basis for such taxation is the location of any office or place of business maintained by the Agency.

Article 48—Officials of the Agency

All Governors, Directors, Alternates, the President and staff of the Agency:

- (i) shall be immune from legal process with respect to acts performed by them in their official capacity;
- (ii) not being local nationals, shall be accorded the same immunities from immigration restrictions, alien registration requirements and national service obligations, and the same facilities as regards exchange restrictions as are accorded

- by the members concerned to the representatives, officials and employees of comparable rank of other members; and
- (iii) shall be granted the same treatment in respect of travelling facilities as is accorded by the members concerned to representatives, officials and employees of comparable rank of other members.

Article 49—Application of the Chapter

Each member shall take such action as is necessary in its own territories for the purpose of making effective in terms of its own law the principles set forth in this Chapter and shall inform the Agency of the detailed action which it has taken.

Article 50—Waiver

The immunities, exemptions and privileges provided in this Chapter are granted in the interest of the Agency and may be waived, to such extent and upon such conditions as the Agency may determine, in cases where such a waiver would not prejudice its interests. The Agency shall waive the immunity of any of its staff in cases where, in its opinion, the immunity would impede the course of justice and can be waived without prejudice to the interests of the Agency

Chapter VIII

Withdrawal, Suspension of Membership and Cessation of Operations

Article 51—Withdrawal

Any member may, after the expiration of three years following the date upon which this Convention has entered into force with respect to such member, withdraw from the Agency at any time by giving notice in writing to the Agency at its principal office. The Agency shall notify the Bank, as depository of this Convention, of the receipt of such notice. Any withdrawal shall become effective ninety days following the date of the receipt of such notice by the Agency. A member may revoke such notice as long as it has not become effective.

Article 52—Suspension of Membership

- (a) If a member fails to fulfill any of its obligations under this Convention, the Council may, by a majority of its members exercising a majority of the total voting power, suspend its membership.
- (b) While under suspension a member shall have no rights under this Convention, except for the right of withdrawal and other rights provided in this Chapter and Chapter IX, but shall remain subject to all its obligations.
- (c) For purposes of determining eligibility for a guarantee or reinsurance to be issued under Chapter III or Annex I to this Convention, a suspended member shall not be treated as a member of the Agency.

- (d) The suspended member shall automatically cease to be a member one year from the date of its suspension unless the Council decides to extend the period of suspension or to restore the member to good standing.

Article 53—Rights and Duties of States Ceasing to be Members

- (a) When a State ceases to be a member, it shall remain liable for all its obligations, including its contingent obligations, under this Convention which shall have been in effect before the cessation of its membership.
- (b) Without prejudice to Section (a) above, the Agency shall enter into an arrangement with such State for the settlement of their respective claims and obligations. Any such arrangement shall be approved by the Board.

Article 54—Suspension of Operations

- (a) The Board may, whenever it deems it justified, suspend the issuance of new guarantees for a specified period.
- (b) In an emergency, the Board may suspend all activities of the Agency for a period not exceeding the duration of such emergency, provided that necessary arrangements shall be made for the protection of the interests of the Agency and of third parties.
- (c) The decision to suspend operations shall have no effect on the obligations of the members under this Convention or on the obligations of the Agency towards holders of a guarantee or reinsurance policy or towards third parties.

Article 55—Liquidation

- (a) The Council, by special majority, may decide to cease operations and to liquidate the Agency. Thereupon the Agency shall forthwith cease all activities, except those incident to the orderly realization, conservation and preservation of assets and settlement of obligations. Until final settlement and distribution of assets, the Agency shall remain in existence and all rights and obligations of members under this Convention shall continue unimpaired.
- (b) No distribution of assets shall be made to members until all liabilities to holders of guarantees and other creditors shall have been discharged or provided for and until the Council shall be decided to make such distribution.
- (c) Subject to the foregoing, the Agency shall distribute its remaining assets to members in proportion to each member's share in the subscribed capital. The Agency shall also distribute any remaining assets of the Sponsorship Trust Fund referred to in Annex I to this Convention to sponsoring members in the proportion which the investments sponsored by each bears to the total of sponsored investments. No member shall be entitled to its share in the assets of the Agency or the Sponsorship Trust Fund unless that member has settled all outstanding claims by the Agency against it. Every distribution of assets shall be

made at such times as the Council shall determine and in such manner as it shall deem fair and equitable.

Chapter IX

Settlement of Disputes

Article 56—Interpretation and Application of the Convention

- (a) Any question of interpretation or application of the provisions of this Convention arising between any member of the Agency and the Agency or among members of the Agency shall be submitted to the Board for its decision. Any member which is particularly affected by the question and which is not otherwise represented by a national in the Board may send a representative to attend any meeting of the Board at which such question is considered.
- (b) In any case where the Board has given a decision under Section (a) above, any member may require that the question be referred to the Council, whose decision shall be final. Pending the result of the referral to the Council, the Agency may, so far as it deems necessary, act on the basis of the decision of the Board.

Article 57—Disputes between the Agency and Members

- (a) Without prejudice to the provisions of Article 56 and of Section (b) of this Article, any dispute between the Agency and a member or an agency thereof and any dispute between the Agency and a country (or agency thereof) which has ceased to be a member, shall be settled in accordance with the procedure set out in Annex II to this Convention.
- (b) Disputes concerning claims of the Agency acting as subrogee of an investor shall be settled in accordance with either (i) the procedure set out in Annex II to this Convention, or (ii) an agreement to be entered into between the Agency and the member concerned on an alternative method or methods for the settlement of such disputes. In the latter case, Annex II to this Convention shall serve as a basis for such an agreement which shall, in each case, be approved by the Board by special majority prior to the undertaking by the Agency of operations in the territories of the member concerned.

Article 58—Disputes Involving Holders of a Guarantee or Reinsurance

Any dispute arising under a contract of guarantee or reinsurance between the parties thereto shall be submitted to arbitration for final determination in accordance with such rules as shall be provided for or referred to in the contract of guarantee or reinsurance.

Chapter X

Amendments

Article 59—Amendment by Council

- (a) This Convention and its annexes may be amended by vote of three-fifths of the Governors exercising four-fifths of the total voting power, provided that:
 - (i) any amendment modifying the right to withdraw from the Agency provided in Article 51 or the limitation on liability provided in Section (d) of Article 8 shall require the affirmative vote of all Governors; and
 - (ii) any amendment modifying the loss-sharing arrangement provided in Articles 1 and 3 of Annex I to this Convention which will result in an increase in any member's liability thereunder shall require the affirmative vote of the Governor of each such member.
- (b) Schedules A and B to this Convention may be amended by the Council by special majority.
- (c) If an amendment affects any provision of Annex I to this Convention, total votes shall include the additional votes allotted under Article 7 of such Annex to sponsoring members and countries hosting sponsored investments.

Article 60—Procedure

Any proposal to amend this Convention, whether emanating from a member or a Governor or a Director, shall be communicated to the Chairman of the Board who shall bring the proposal before the Board. If the proposed amendment is recommended by the Board, it shall be submitted to the Council for approval in accordance with Article 59. When an amendment has been duly approved by the Council, the Agency shall so certify by formal communication addressed to all members. Amendments shall enter into force for all members ninety days after the date of the formal communication unless the Council shall specify a different date.

Chapter XI

Final Provisions

Article 61—Entry into force

- (a) This Convention shall be open for signature on behalf of all members of the Bank and Switzerland and shall be subject to ratification, acceptance or approval by the signatory States in accordance with their constitutional procedures.
- (b) This Convention shall enter into force on the day when not less than five instruments of ratification, acceptance or approval shall have been deposited on behalf of signatory States in Category One, and not less than fifteen such instruments shall have been deposited on behalf of signatory States in Category

Two; provided that total subscriptions of these States amount to not less than one-third of the authorized capital of the Agency as prescribed in Article 5.

- (c) For each State which deposits its instrument of ratification, acceptance or approval after this Convention shall have entered into force, this Convention shall enter into force on the date of such deposit.
- (d) If this Convention shall not have entered into force within two years after its opening for signature, the President of the Bank shall convene a conference of interested countries to determine the future course of action

Article 62—Inaugural Meeting

Upon entry into force of this Convention, the President of the Bank shall call the inaugural meeting of the Council. This meeting shall be held at the principal office of the Agency within sixty days from the date on which this Convention has entered into force or as soon as practicable thereafter.

Article 63—Depository

Instruments of ratification, acceptance or approval of this Convention and amendments thereto shall be deposited with the Bank which shall act as the depository of this Convention. The depository shall transmit certified copies of this Convention to States members of the Bank and to Switzerland.

Article 64—Registration

The depository shall register this Convention with the Secretariat of the United Nations in accordance with Article 102 of the Charter of the United Nations and the Regulations thereunder adopted by the General Assembly.

Article 65—Notification

The depository shall notify all signatory States and, upon the entry into force of this Convention, the Agency of the following:

- (a) signatures of this Convention;
- (b) deposits of instruments of ratification, acceptance and approval in accordance with Article 63;
- (c) the date on which this Convention enters into force in accordance with Article 61;
- (d) exclusions from territorial application pursuant to Article 66; and
- (e) withdrawal of a member from the Agency pursuant to Article 51.

Article 66—Territorial Application

This Convention shall apply to all territories under the jurisdiction of a member including the territories for whose international relations a member is responsible, except those which are excluded by such member by written notice to the depository

of this Convention either at the time of ratification, acceptance or approval or subsequently.

Article 67—Periodic Reviews

- (a) The Council shall periodically undertake comprehensive reviews of the activities of the Agency as well as the results achieved with a view to introducing any changes required to enhance the Agency's ability to serve its objectives.
- (b) The first such review shall take place five years after the entry into force of this Convention. The dates of subsequent reviews shall be determined by the Council.

DONE at Seoul, in a single copy which shall remain deposited in the archives of the International Bank of Reconstruction and Development, which has indicated by its signature below its agreement to fulfill the functions with which it is charged under this Convention.

Annex I

Guarantees of Sponsored Investments Under Article 24

Article 1—Sponsorship

- (a) Any member may sponsor for guarantee an investment to be made by an investor of any nationality or by investors of any or several nationalities.
- (b) Subject to the provisions of Sections (b) and (c) of Article 3 of this Annex, each sponsoring member shall share with the other sponsoring members in losses under guarantees of sponsored investments, when and to the extent that such losses cannot be covered out of the Sponsorship Trust Fund referred to in Article 2 of this Annex, in the proportion which the amount of maximum contingent liability under the guarantees of investments sponsored by it bears to the total amount of maximum contingent liability under the guarantees of investments sponsored by all members.
- (c) In its decisions on the issuance of guarantees under this Annex, the Agency shall pay due regard to the prospects that the sponsoring member will be in a position to meet its obligations under this Annex and shall give priority to investments which are co-sponsored by the host countries concerned.
- (d) The Agency shall periodically consult with sponsoring members with respect to its operations under this Annex.

Article 2—Sponsorship Trust Fund

- (a) Premiums and other revenues attributable to guarantees of sponsored investments, including returns on the investment of such premiums and revenues, shall be held in a separate account which shall be called the Sponsorship Trust Fund.

- (b) All administrative expenses and payments on claims attributable to guarantees issued under this Annex shall be paid out of the Sponsorship Trust Fund.
- (c) The assets of the Sponsorship Trust Fund shall be held and administered for the joint account of sponsoring members and shall be kept separate and apart from the assets of the Agency.

Article 3—Calls on Sponsoring Members

- (a) To the extent that any amount is payable by the Agency on account of a loss under a sponsored guarantee and such amount cannot be paid out of assets of the Sponsorship Trust Fund, the Agency shall call on each sponsoring member to pay into such Fund its share of such amount as shall be determined in accordance with Section (b) of Article 1 of this Annex.
- (b) No member shall be liable to pay any amount on a call pursuant to the provisions of this Article if as a result total payments made by that member will exceed the total amount of guarantees covering investments sponsored by it.
- (c) Upon the expiry of any guarantee covering an investment sponsored by a member, the liability of that member shall be decreased by an amount equivalent to the amount of such guarantee; such liability shall also be decreased on a *pro rata* basis upon payment by the Agency of any claim related to a sponsored investment and shall otherwise continue in effect until the expiry of all guarantees of sponsored investments outstanding at the time of such payment.
- (d) If any sponsoring member shall not be liable for an amount of a call pursuant to the provisions of this Article because of the limitation contained in Sections (b) and (c) above, or if any sponsoring member shall default in payment of an amount due in response to any such call, the liability for payment of such amount shall be shared *pro rata* by the other sponsoring members. Liability of members pursuant to this Section shall be subject to the limitation set forth in Sections (b) and (c) above.

Article 4—Valuation of Currencies and Refunds

The provisions on valuation of currencies and refunds contained in this Convention with respect to capital subscriptions shall be applied *mutatis mutandis* to funds paid by members on account of sponsored investments.

Article 5—Reinsurance

- (a) The Agency may, under the conditions set forth in Article 1 of this Annex, provide reinsurance to a member, an agency thereof, a regional agency as defined in Section (a) of Article 20 of this Convention or a private insurer in a member country. The provisions of this Annex concerning guarantees and of Article 20 and 21 of this Convention shall be applied *mutatis mutandis* to reinsurance provided under this Section.

- (b) The Agency may obtain reinsurance for investments guaranteed by it under this Annex and shall meet the cost of such reinsurance out of the Sponsorship Trust Fund. The Board may decide whether and to what extent the loss-sharing obligation of sponsoring members referred to in Section (b) of Article 1 of this Annex may be reduced on account of the reinsurance cover obtained.

Article 6—Operational Principles

Without prejudice to the provisions of this Annex, the provisions with respect to guarantee operations under Chapter III of this Convention and to financial management under Chapter IV of this Convention shall be applied *mutatis mutandis* to guarantees of sponsored investments except that (i) such investments shall qualify for sponsorship if made in the territories of any member, and in particular of any developing member, by an investor or investors eligible under Section (a) of Article 1 of this Annex, and (ii) the Agency shall not be liable with respect to its own assets for any guarantee or reinsurance issued under this Annex and each contract of guarantee or reinsurance concluded pursuant to this Annex shall expressly so provide.

Article 7—Voting

For decisions relating to sponsored investments, each sponsoring member shall have one additional vote for each 10,000 Special Drawing Rights equivalent of the amount guaranteed or reinsured on the basis of its sponsorship, and each member hosting a sponsored investment shall have one additional vote for each 10,000 Special Drawing Rights equivalent of the amount guaranteed or reinsured with respect to any sponsored investment hosted by it. Such additional votes shall be cast only for decisions related to sponsored investments and shall otherwise be disregarded in determining the voting power of members.

Annex II

Settlement of Disputes Between a Member and the Agency under Article 57

Article 1—Application of the Annex

All disputes within the Scope of Article 57 of this Convention shall be settled in accordance with the procedure set out in this Annex, except in the cases where the Agency has entered into an agreement with a member pursuant to Section (b)(ii) of Article 57.

Article 2—Negotiation

The parties to a dispute within the scope of this Annex shall attempt to settle such dispute by negotiation before seeking conciliation or arbitration. Negotiations shall be deemed to have been exhausted if the parties fail to reach a settlement within a period of one hundred and twenty days from the date of the request to enter into negotiation.

Article 3—Conciliation

- (a) If the dispute is not resolved through negotiation, either party may submit the dispute to arbitration in accordance with the provisions of Article 4 of this Annex, unless the parties, by mutual consent, have decided to resort first to the conciliation procedure provided for in this Article.
- (b) The agreement for recourse to conciliation shall specify the matter in dispute, the claims of the parties in respect thereof and, if available, the name of the conciliator agreed upon by the parties. In the absence of agreement on the conciliator, the parties may jointly request either the Secretary-General of the International Centre of Settlement of Investment Disputes (hereinafter called ICSID) or the President of the International Court of Justice to appoint a conciliator. The conciliation procedure shall terminate if the conciliator has not been appointed within ninety days after the agreement for recourse to conciliation.
- (c) Unless otherwise provided in this Annex or agreed upon by the parties, the conciliator shall determine the rules governing the conciliation procedure and shall be guided in this regard by the conciliation rules adopted pursuant to the Convention on the Settlement of Investment Disputes between States and Nationals of Other States.
- (d) The parties shall cooperate in good faith with the conciliator and shall, in particular, provide him with all information and documentation which would assist him in the discharge of his functions; they shall give their most serious consideration to his recommendations.
- (e) Unless otherwise agreed upon by the parties, the conciliator shall, within a period not exceeding one hundred and eighty days from the date of his appointment, submit to the parties a report recording the results of his efforts and setting out the issues controversial between the parties and his proposals for their settlement.
- (f) Each party shall, within sixty days from the date of the receipt of the report, express in writing its views on the report to the other party.
- (g) Neither party to a conciliation proceeding shall be entitled to have recourse to arbitration unless:
 - (i) the conciliator shall have failed to submit his report within the period established in Section (e) above; or
 - (ii) the parties shall have failed to accept all of the proposals contained in the report within sixty days after its receipt; or
 - (iii) the parties, after an exchange of views on the report, shall have failed to agree on a settlement of all controversial issues within sixty days after receipt of the conciliator's report; or
 - (iv) a party shall have failed to express its views on the report as prescribed in Section (f) above.

- (h) Unless the parties agree otherwise, the fees of the conciliator shall be determined on the basis of the rates applicable to ICSID conciliation. These fees and the other costs of the conciliation proceedings shall be borne equally by the parties. Each party shall defray its own expenses.

Article 4—Arbitration

- (a) Arbitration proceedings shall be instituted by means of a notice by the party seeking arbitration (the claimant) addressed to the other party or parties to the dispute (the respondent). The notice shall specify the nature of the dispute, the relief sought and the name of the arbitrator appointed by the claimant. The respondent shall, within thirty days after the date of receipt of the notice, notify the claimant of the name of the arbitrator appointed by it. The two parties shall, within a period of thirty days from the date of appointment of the second arbitrator, select a third arbitrator, who shall act as President of the Arbitral Tribunal (the Tribunal).
- (b) If the Tribunal shall not have been constituted within sixty days from the date of the notice, the arbitrator not yet appointed or the President not yet selected shall be appointed, at the joint request of the parties, by the Secretary-General of ICSID. If there is not such joint request, or if the Secretary-General shall fail to make the appointment within thirty days of the request, either party may request the President of the International Court of Justice to make the appointment.
- (c) No party shall have the rights to change the arbitrator appointed by it once the hearing of the dispute has commenced. In case any arbitrator (including the President of the Tribunal) shall resign, die, or become incapacitated, a successor shall be appointed in the manner followed in the appointment of his predecessor and such successor shall have the same powers and duties of the arbitrator he succeeds.
- (d) The Tribunal shall convene first at such time and place as shall be determined by the President. Thereafter, the Tribunal shall determine the place and dates of its meetings.
- (e) Unless otherwise provided in this Annex or agreed upon by the parties, the Tribunal shall determine its procedure and shall be guided in this regard by the arbitration rules adopted pursuant to the Convention on the Settlement of Investment Disputes between States and Nationals of Other States.
- (f) The Tribunal shall be the judge of its own competence except that, if any objection is raised before the Tribunal to the effect that the dispute falls within the jurisdiction of the Board or the Council under Article 56 or within the jurisdiction of a judicial or arbitral body designated in an agreement under Article 1 of this Annex and the Tribunal is satisfied that the objection is genuine, the objection shall be referred by the Tribunal to the Board or the Council or the designated body, as the case may be, and the arbitration proceedings shall be

stayed until a decision has been reached on the matter, which shall be binding upon the Tribunal.

- (g) The Tribunal shall, in any dispute within the scope of this Annex, apply the provisions of this Convention, any relevant agreement between the parties to the dispute, the Agency's by-laws and regulations, the applicable rules of international law, the domestic law of the member concerned as well as the applicable provisions of the investment contract, if any. Without prejudice to the provisions of this Convention, the Tribunal may decide a dispute *ex aequo et bono* if the Agency and the member concerned so agree. The Tribunal may not bring a finding of *non liquet* on the ground of silence or obscurity of the law.
- (h) The Tribunal shall afford a fair hearing to all the parties. All decisions of the Tribunal shall be taken by a majority vote and shall state the reasons on which they are based. The award of the Tribunal shall be in writing, and shall be signed by at least two arbitrators and a copy thereof shall be transmitted to each party. The award shall be final and binding upon the parties and shall not be subject to appeal, annulment or revision.
- (i) If any dispute shall arise between the Parties as to the meaning or scope of an award, either party may, within sixty days after the award was rendered, request interpretation of the award by an application in writing to the President of the Tribunal which rendered the award. The President shall, if possible, submit the request to the Tribunal which rendered the award and shall convene such Tribunal within sixty days after receipt of the application. If this shall not be possible, a new Tribunal shall be constituted in accordance with the provisions of Sections (a) to (d) above. The Tribunal may stay enforcement of the award pending its decision on the requested interpretation.
- (j) Each member shall recognize an award rendered pursuant to this Article as binding and enforceable within its territories as if it were a final judgment of a court in that member. Execution of the award shall be governed by the laws concerning the execution of judgments in force in the State in whose territories such execution is sought and shall not derogate from the law in force relating to immunity from execution.
- (k) Unless the parties shall agree otherwise, the fees and remuneration payable to the arbitrators shall be determined on the basis of the rates applicable to ICSID arbitration. Each party shall defray its own costs associated with the arbitration proceedings. The costs of the Tribunal shall be borne by the parties in equal proportion unless the Tribunal decides otherwise. Any question concerning the division of the Cost of the Tribunal or the procedure for payment of such costs shall be decided by the Tribunal.

Article 5—Service of Process

Service of any notice or process in connection with any proceeding under this Annex shall be made in writing. It shall be made by the Agency upon the authority designa-

ted by the member concerned pursuant to Article 38 of this Convention and by that member at the principal office of the Agency.

Schedule A
Membership and Subscriptions (original list as per Convention
booklet)

Category One

Country	Number of shares	Subscription (millions of SDR)
Australia	1,713	17.13
Austria	775	7.75
Belgium	2,030	20.30
Canada	2,965	29.65
Denmark	718	7.18
Finland	600	6.00
France	4,860	48.60
Germany, Federal Republic of	5,071	50.71
Iceland	90	0.90
Ireland	369	3.69
Italy	2,820	28.20
Japan	5,095	50.95
Luxembourg	116	1.16
Netherlands	2,169	21.69
New Zealand	513	5.13
Norway	699	6.99
South Africa	943	9.43
Sweden	1,049	10.49
Switzerland	1,500	15.00
United Kingdom	4,860	48.60
United States	20,519	205.19
Total	59,473	594.73

Category Two*

Country	Number of shares	Subscription (millions of SDR)
Afghanistan	118	1.18
Algeria	649	6.49
Antigua and Barbuda	50	0.50
Argentina	1,254	12.54
Bahamas	100	1.00
Bahrain	77	0.77
Bangladesh	340	3.40
Barbados	68	0.68
Belize	50	0.50
Benin	61	0.61
Bhutan	50	0.50
Bolivia	125	1.25
Botswana	50	0.50

Country	Number of shares	Subscription (millions of SDR)
Brazil	1,479	14.79
Burkina Faso	61	0.61
Burma	178	1.78
Burundi	74	0.74
Cameroon	107	1.07
Cape Verde	50	0.50
Central African Republic	60	0.60
Chad	60	0.60
Chile	485	4.85
China	3,138	31.38
Colombia	437	4.37
Comoros	50	0.50
Congo, People's Rep. of the	65	0.65
Costa Rica	117	1.17
Cyprus	104	1.04
Djibouti	50	0.50
Dominica	50	0.50
Dominican Republic	147	1.47
Ecuador	182	1.82
Egypt, Arab Republic of	459	4.59
El Salvador	122	1.22
Equatorial Guinea	50	0.50
Ethiopia	70	0.70
Fiji	71	0.71
Gabon	96	0.96
Gambia, The	50	0.50
Ghana	245	2.45
Greece	280	2.80
Grenada	50	0.50
Guatemala	140	1.40
Guinea	91	0.91
Guinea-Bissau	50	0.50
Guyana	84	0.84
Haiti	75	0.75
Honduras	101	1.01
Hungary	564	5.64
India	3,048	30.48
Indonesia	1,049	10.49
Iran, Islamic Republic of	1,659	16.59
Iraq	350	3.50
Israel	474	4.74
Ivory Coast	176	1.76
Jamaica	181	1.81
Jordan	97	0.97

Country	Number of shares	Subscription (millions of SDR)
Kampuchea, Democratic	93	0.93
Kenya	172	1.72
Korea, Republic of	449	4.49
Kuwait	930	9.30
Lao People's Dem. Rep.	60	0.60
Lebanon	142	1.42
Lesotho	50	0.50
Liberia	84	0.84
Libyan Arab Jamahiriya	549	5.49
Madagascar	100	1.00
Malawi	77	0.77
Malaysia	579	5.79
Maldives	50	0.50
Mali	81	0.81
Malta	75	0.75
Mauritania	63	0.63
Mauritius	87	0.87
Mexico	1,192	11.92
Morocco	348	3.48
Mozambique	97	0.97
Nepal	69	0.69
Nicaragua	102	1.02
Niger	62	0.62
Nigeria	844	8.44
Oman	94	0.94
Pakistan	660	6.60
Panama	131	1.31
Papua New Guinea	96	0.96
Paraguay	80	0.80
Peru	373	3.73
Philippines	484	4.84
Portugal	382	3.82
Qatar	137	1.37
Romania	555	5.55
Rwanda	75	0.75
St. Christopher and Nevis	50	0.50
St. Lucia	50	0.50
St. Vincent	50	0.50
São Tome and Principe	50	0.50
Saudi Arabia	3,137	31.37
Senegal	145	1.45
Seychelles	50	0.50
Sierra Leone	75	0.75
Singapore	154	1.54

Country	Number of shares	Subscription (millions of SDR)
Solomon Islands	50	0.50
Somalia	78	0.78
Spain	1,285	12.85
Sri Lanka	271	2.71
Sudan	206	2.06
Suriname	82	0.82
Syrian Arab Republic	168	1.68
Swaziland	58	0.58
Tanzania	141	1.41
Thailand	421	4.21
Togo	77	0.77
Trinidad and Tobago	203	2.03
Tunisia	156	1.56
Turkey	462	4.62
United Arab Emirates	372	3.72
Uganda	132	1.32
Uruguay	202	2.02
Vanuatu	50	0.50
Venezuela	1,427	14.27
Viet Nam	220	2.20
Western Samoa	50	0.50
Yemen Arab Republic	67	0.67
Yemen, People's Dem. Rep. of	115	1.15
Yugoslavia	635	6.35
Zaire	338	3.38
Zambia	318	3.18
Zimbabwe	236	2.36
Total	40,527	405.27
Total: Categories One and Two	100,000	1,000.00

* Countries listed under Category Two are developing member countries for the purpose of this Convention.

Schedule B

Election of Directors

- 1 Candidates for the office of Director shall be nominated by the Governors, provided that a Governor may nominate only one person.
- 2 The election of Directors shall be by ballot of the Governors.
- 3 In balloting for the Directors, every Governor shall cast for one candidate all the votes which the member represented by him is entitled to cast under Section (a) of Article 40.
- 4 One-fourth of the number of Directors shall be elected separately, one by each of the Governors of members having the largest number of shares. If the total number of Directors is not divisible by four, the number of Directors so elected shall be one-fourth of the next lower number that is divisible by four.
- 5 The remaining Directors shall be elected by the other Governors in accordance with the provisions of paragraphs 6 and 11 of this Schedule.
- 6 If the number of candidates nominated equals the number of such remaining Directors to be elected, all the candidates shall be elected in the first ballot; except that a candidate or candidates having received less than the minimum percentage of total votes determined by the Council for such election shall not be elected if any candidate shall have received more than the maximum percentage of total votes determined by the Council.
- 7 If the number of candidates nominated exceeds the number of such remaining Directors to be elected, the candidates receiving the largest number of votes shall be elected with the exception of any candidate who has received less than the minimum percentage of the total votes determined by the Council.
- 8 If all of such remaining Directors are not elected in the first ballot, a second ballot shall be held. The candidate or candidates not elected in the first ballot shall again be eligible for election.
- 9 In the second ballot, voting shall be limited to (i) those Governors having voted in the first ballot for a candidate not elected and (ii) those Governors having voted in the first ballot for an elected candidate who had already received the maximum percentage of total votes determined by the Council before taking their votes into account.
- 10 In determining when an elected candidate has received more than the maximum percentage of the votes, the votes of the Governor casting the largest number of votes for such candidate shall be counted first, then the votes of the Governor casting the next largest number, and so on until such percentage is reached.
- 11 If not all the remaining Directors have been elected after the second ballot, further ballots shall be held on the same principles until all the remaining Directors are elected, provided that when only one Director remains to be elected,

this Director may be elected by a simple majority of the remaining votes and shall be deemed to have been elected by all such votes.

Schedule 8

Articles of Agreement of the Asian Infrastructure Investment Bank

ss 2, 8, 10

Schedule 8: inserted, on 11 December 2015, by section 11 of the International Finance Agreements Amendment Act 2015 (2015 No 110).

The countries on whose behalf the present Agreement is signed agree as follows:

CONSIDERING the importance of regional cooperation to sustain growth and promote economic and social development of the economies in Asia and thereby contribute to regional resilience against potential financial crises and other external shocks in the context of globalization;

ACKNOWLEDGING the significance of infrastructure development in expanding regional connectivity and improving regional integration, thereby promoting economic growth and sustaining social development for the people in Asia, and contributing to global economic dynamism;

REALIZING that the considerable long-term need for financing infrastructure development in Asia will be met more adequately by a partnership among existing multilateral development banks and the Asian Infrastructure Investment Bank (hereinafter referred to as the “Bank”);

CONVINCED that the establishment of the Bank as a multilateral financial institution focused on infrastructure development will help to mobilize much needed additional resources from inside and outside Asia and to remove the financing bottlenecks faced by the individual economies in Asia, and will complement the existing multilateral development banks, to promote sustained and stable growth in Asia;

HAVE AGREED to establish the Bank, which shall operate in accordance with the following:

Chapter I

Purpose, functions and membership

Article 1—Purpose

1. The purpose of the Bank shall be to: (i) foster sustainable economic development, create wealth and improve infrastructure connectivity in Asia by investing in infrastructure and other productive sectors; and (ii) promote regional cooperation and partnership in addressing development challenges by working in close collaboration with other multilateral and bilateral development institutions.
2. Wherever used in this Agreement, references to “Asia” and “region” shall include the geographical regions and composition classified as Asia and Oceania by the United Nations, except as otherwise decided by the Board of Governors.

Article 2—Functions

To implement its purpose, the Bank shall have the following functions:

- (i) to promote investment in the region of public and private capital for development purposes, in particular for development of infrastructure and other productive sectors;
- (ii) to utilize the resources at its disposal for financing such development in the region, including those projects and programs which will contribute most effectively to the harmonious economic growth of the region as a whole and having special regard to the needs of less developed members in the region;
- (iii) to encourage private investment in projects, enterprises and activities contributing to economic development in the region, in particular in infrastructure and other productive sectors, and to supplement private investment when private capital is not available on reasonable terms and conditions; and
- (iv) to undertake such other activities and provide such other services as may further these functions.

Article 3—Membership

1. Membership in the Bank shall be open to members of the International Bank for Reconstruction and Development or the Asian Development Bank.
 - (a) Regional members shall be those members listed in Part A of Schedule A and other members included in the Asia region in accordance with paragraph 2 of Article 1. All other members shall be non-regional members.
 - (b) Founding Members shall be those members listed in Schedule A which, on or before the date specified in Article 57, shall have signed this Agreement and shall have fulfilled all other conditions of membership before the final date specified under paragraph 1 of Article 58.
2. Members of the International Bank for Reconstruction and Development or the Asian Development Bank which do not become members in accordance with Article 58 may be admitted, under such terms and conditions as the Bank shall determine, to membership in the Bank by a Special Majority vote of the Board of Governors as provided in Article 28.
3. In the case of an applicant which is not sovereign or not responsible for the conduct of its international relations, application for membership in the Bank shall be presented or agreed by the member of the Bank responsible for its international relations.

Chapter II Capital

Article 4—Authorized capital

1. The authorized capital stock of the Bank shall be one hundred billion United States dollars (\$100,000,000,000), divided into one million (1,000,000) shares having a par value of 100,000 dollars (\$100,000) each, which shall be available for subscription only by members in accordance with the provisions of Article 5.
2. The original authorized capital stock shall be divided into paid-in shares and callable shares. Shares having an aggregate par value of twenty billion dollars (\$20,000,000,000) shall be paid-in shares, and shares having an aggregate par value of eighty billion dollars (\$80,000,000,000) shall be callable.
3. The authorized capital stock of the Bank may be increased by the Board of Governors by a Super Majority vote as provided in Article 28, at such time and under such terms and conditions as it may deem advisable, including the proportion between paid-in and callable shares.
4. The term “dollar” and the symbol “\$” wherever used in this Agreement shall be understood as being the official currency of payment of the United States of America.

Article 5—Subscription of shares

1. Each member shall subscribe to shares of the capital stock of the Bank. Each subscription to the original authorized capital stock shall be for paid-in shares and callable shares in the proportion two (2) to eight (8). The initial number of shares available to be subscribed by countries which become members in accordance with Article 58 shall be that set forth in Schedule A.
2. The initial number of shares to be subscribed by countries which are admitted to membership in accordance with paragraph 2 of Article 3 shall be determined by the Board of Governors; provided, however, that no such subscription shall be authorized which would have the effect of reducing the percentage of capital stock held by regional members below seventy-five (75) per cent of the total subscribed capital stock, unless otherwise agreed by the Board of Governors by a Super Majority vote as provided in Article 28.
3. The Board of Governors may, at the request of a member, increase the subscription of such member on such terms and conditions as the Board may determine by a Super Majority vote as provided in Article 28; provided, however, that no such increase in the subscription of any member shall be authorized which would have the effect of reducing the percentage of capital stock held by regional members below seventy-five (75) per cent of the total subscribed capital stock, unless otherwise agreed by the Board of Governors by a Super Majority vote as provided in Article 28.

4. The Board of Governors shall at intervals of not more than five (5) years review the capital stock of the Bank. In case of an increase in the authorized capital stock, each member shall have a reasonable opportunity to subscribe, under such terms and conditions as the Board of Governors shall determine, to a proportion of the increase of stock equivalent to the proportion which its stock theretofore subscribed bears to the total subscribed capital stock immediately prior to such increase. No member shall be obligated to subscribe to any part of an increase of capital stock.

Article 6—Payment of subscriptions

1. Payment of the amount initially subscribed by each Signatory to this Agreement which becomes a member in accordance with Article 58 to the paid-in capital stock of the Bank shall be made in five (5) installments, of twenty (20) per cent each of such amount, except as provided in paragraph 5 of this Article. The first installment shall be paid by each member within thirty (30) days after entry into force of this Agreement, or on or before the date of deposit on its behalf of its instrument of ratification, acceptance or approval in accordance with paragraph 1 of Article 58, whichever is later. The second installment shall become due one (1) year from the entry into force of this Agreement. The remaining three (3) installments shall become due successively one (1) year from the date on which the preceding installment becomes due.
2. Each installment of the payment of initial subscriptions to the original paid-in capital stock shall be paid in dollars or other convertible currency, except as provided in paragraph 5 of this Article. The Bank may at any time convert such payments into dollars. All rights, including voting rights, acquired in respect of paid-in and associated callable shares for which such payments are due but have not been received shall be suspended until full payment is received by the Bank.
3. Payment of the amount subscribed to the callable capital stock of the Bank shall be subject to call only as and when required by the Bank to meet its liabilities. In the event of such a call, payment may be made at the option of the member in dollars or in the currency required to discharge the obligations of the Bank for the purpose of which the call is made. Calls on unpaid subscriptions shall be uniform in percentage on all callable shares.
4. The Bank shall determine the place for any payment under this Article, provided that, until the inaugural meeting of the Board of Governors, the payment of the first installment referred to in paragraph 1 of this Article shall be made to the Government of the People's Republic of China, as Trustee for the Bank.
5. A member considered as a less developed country for purposes of this paragraph may pay its subscription under paragraphs 1 and 2 of this Article, as an alternative, either:
 - (a) entirely in dollars or other convertible currency in up to ten (10) installments, with each such installment equal to ten (10) percent of the total

- amount, the first and second installments due as provided in paragraph 1, and the third through tenth installments due on the second and subsequent anniversary dates of the entry into force of this Agreement; or
- (b) with a portion in dollars or other convertible currency and a portion of up to fifty (50) per cent of each installment in the currency of the member, following the schedule of installments provided in paragraph 1 of this Article. The following provisions shall apply to payments under this sub-paragraph (b):
- (i) The member shall advise the Bank at the time of subscription under paragraph 1 of this Article of the proportion of payments to be made in its own currency.
 - (ii) Each payment of a member in its own currency under this paragraph 5 shall be in such amount as the Bank determines to be equivalent to the full value in terms of dollars of the portion of the subscription being paid. The initial payment shall be in such amount as the member considers appropriate hereunder but shall be subject to such adjustment, to be effected within ninety (90) days of the date on which such payment was due, as the Bank shall determine to be necessary to constitute the full dollar equivalent of such payment.
 - (iii) Whenever in the opinion of the Bank, the foreign exchange value of a member's currency has depreciated to a significant extent, that member shall pay to the Bank within a reasonable time an additional amount of its currency required to maintain the value of all such currency held by the Bank on account of its subscription.
 - (iv) Whenever in the opinion of the Bank, the foreign exchange value of a member's currency has appreciated to a significant extent, the Bank shall pay to that member within a reasonable time an amount of that currency required to adjust the value of all such currency held by the Bank on account of its subscription.
 - (v) The Bank may waive its rights to payment under sub-paragraph (iii) and the member may waive its rights to payment under sub-paragraph (iv).
6. The Bank shall accept from any member paying its subscription under sub-paragraph 5 (b) of this Article promissory notes or other obligations issued by the Government of the member, or by the depository designated by such member, in lieu of the amount to be paid in the currency of the member, provided such amount is not required by the Bank for the conduct of its operations. Such notes or obligations shall be non-negotiable, non-interest-bearing, and payable to the Bank at par value upon demand.

Article 7—Terms of shares

1. Shares of stock initially subscribed by members shall be issued at par. Other shares shall be issued at par unless the Board of Governors by a Special Majority vote as provided in Article 28 decides in special circumstances to issue them on other terms.
2. Shares of stock shall not be pledged or encumbered in any manner whatsoever, and they shall be transferable only to the Bank.
3. The liability of the members on shares shall be limited to the unpaid portion of their issue price.
4. No member shall be liable, by reason of its membership, for obligations of the Bank.

Article 8—Ordinary resources

As used in this Agreement, the term “ordinary resources” of the Bank shall include the following:

- (i) authorized capital stock of the Bank, including both paid-in and callable shares, subscribed pursuant to Article 5;
- (ii) funds raised by the Bank by virtue of powers conferred by paragraph 1 of Article 16, to which the commitment to calls provided for in paragraph 3 of Article 6 is applicable;
- (iii) funds received in repayment of loans or guarantees made with the resources indicated in sub-paragraphs (i) and (ii) of this Article or as returns on equity investments and other types of financing approved under sub-paragraph 2 (vi) of Article 11 made with such resources;
- (iv) income derived from loans made from the aforementioned funds or from guarantees to which the commitment to calls set forth in paragraph 3 of Article 6 is applicable; and
- (v) any other funds or income received by the Bank which do not form part of its Special Funds resources referred to in Article 17 of this Agreement.

Chapter III Operations of the Bank

Article 9—Use of resources

The resources and facilities of the Bank shall be used exclusively to implement the purpose and functions set forth, respectively, in Articles 1 and 2, and in accordance with sound banking principles.

Article 10—Ordinary and special operations

1. The operations of the Bank shall consist of:

- (i) ordinary operations financed from the ordinary resources of the Bank, referred to in Article 8; and
- (ii) special operations financed from the Special Funds resources referred to in Article 17.

The two types of operations may separately finance elements of the same project or program.

2. The ordinary resources and the Special Funds resources of the Bank shall at all times and in all respects be held, used, committed, invested or otherwise disposed of entirely separately from each other. The financial statements of the Bank shall show the ordinary operations and special operations separately.
3. The ordinary resources of the Bank shall, under no circumstances, be charged with, or used to discharge, losses or liabilities arising out of special operations or other activities for which Special Funds resources were originally used or committed.
4. Expenses appertaining directly to ordinary operations shall be charged to the ordinary resources of the Bank. Expenses appertaining directly to special operations shall be charged to the Special Funds resources. Any other expenses shall be charged as the Bank shall determine.

Article 11—Recipients and methods of operation

1.
 - (a) The Bank may provide or facilitate financing to any member, or any agency, instrumentality or political subdivision thereof, or any entity or enterprise operating in the territory of a member, as well as to international or regional agencies or entities concerned with economic development of the region.
 - (b) The Bank may, in special circumstances, provide assistance to a recipient not listed in sub-paragraph (a) above only if the Board of Governors, by a Super Majority vote as provided in Article 28:
 - (i) shall have determined that such assistance is designed to serve the purpose and come within the functions of the Bank and is in the interest of the Bank's membership; and
 - (ii) shall have specified the types of assistance under paragraph 2 of this Article that may be provided to such recipient.
2. The Bank may carry out its operations in any of the following ways:
 - (i) by making, co-financing or participating in direct loans;
 - (ii) by investment of funds in the equity capital of an institution or enterprise;
 - (iii) by guaranteeing, whether as primary or secondary obligor, in whole or in part, loans for economic development;
 - (iv) by deploying Special Funds resources in accordance with the agreements determining their use;
 - (v) by providing technical assistance in accordance with Article 15; or

- (vi) through other types of financing as may be determined by the Board of Governors, by a Special Majority vote as provided in Article 28.

Article 12—Limitations on ordinary operations

1. The total amount outstanding of loans, equity investments, guarantees and other types of financing provided by the Bank in its ordinary operations under sub-paragraphs 2 (i), (ii), (iii) and (vi) of Article 11 shall not at any time be increased, if by such increase the total amount of its unimpaired subscribed capital, reserves and retained earnings included in its ordinary resources would be exceeded. Notwithstanding the provisions of the preceding sentence, the Board of Governors may, by a Super Majority vote as provided in Article 28, determine at any time that, based on the Bank's financial position and financial standing, the limitation under this paragraph may be increased, up to 250% of the Bank's unimpaired subscribed capital, reserves and retained earnings included in its ordinary resources.
2. The amount of the Bank's disbursed equity investments shall not at any time exceed an amount corresponding to its total unimpaired paid-in subscribed capital and general reserves.

Article 13—Operating principles

The operations of the Bank shall be conducted in accordance with the principles set out below.

1. The Bank shall be guided by sound banking principles in its operations.
2. The operations of the Bank shall provide principally for the financing of specific projects or specific investment programs, for equity investment, and for technical assistance in accordance with Article 15.
3. The Bank shall not finance any undertaking in the territory of a member if that member objects to such financing.
4. The Bank shall ensure that each of its operations complies with the Bank's operational and financial policies, including without limitation, policies addressing environmental and social impacts.
5. In considering an application for financing, the Bank shall pay due regard to the ability of the recipient to obtain financing or facilities elsewhere on terms and conditions that the Bank considers reasonable for the recipient, taking into account all pertinent factors.
6. In providing or guaranteeing financing, the Bank shall pay due regard to the prospects that the recipient and guarantor, if any, will be in a position to meet their obligations under the financing contract.
7. In providing or guaranteeing financing, the financial terms, such as rate of interest and other charges and the schedule for repayment of principal shall be such as are, in the opinion of the Bank, appropriate for the financing concerned and the risk to the Bank.

8. The Bank shall place no restriction upon the procurement of goods and services from any country from the proceeds of any financing undertaken in the ordinary or special operations of the Bank.
9. The Bank shall take the necessary measures to ensure that the proceeds of any financing provided, guaranteed or participated in by the Bank are used only for the purposes for which the financing was granted and with due attention to considerations of economy and efficiency.
10. The Bank shall pay due regard to the desirability of avoiding a disproportionate amount of its resources being used for the benefit of any member.
11. The Bank shall seek to maintain reasonable diversification in its investments in equity capital. In its equity investments, the Bank shall not assume responsibility for managing any entity or enterprise in which it has an investment and shall not seek a controlling interest in the entity or enterprise concerned, except where necessary to safeguard the investment of the Bank.

Article 14—Terms and conditions for financing

1. In the case of loans made or participated in or loans guaranteed by the Bank, the contract shall establish, in conformity with the operating principles set forth in Article 13 and subject to the other provisions of this Agreement, the terms and conditions for the loan or the guarantee concerned. In setting such terms and conditions, the Bank shall take fully into account the need to safeguard its income and financial position.
2. Where the recipient of loans or guarantees of loans is not itself a member, the Bank may, when it deems it advisable, require that the member in whose territory the project concerned is to be carried out, or a public agency or any instrumentality of that member acceptable to the Bank, guarantee the repayment of the principal and the payment of interest and other charges on the loan in accordance with the terms thereof.
3. The amount of any equity investment shall not exceed such percentage of the equity capital of the entity or enterprise concerned as permitted under policies approved by the Board of Directors.
4. The Bank may provide financing in its operations in the currency of the country concerned, in accordance with policies that minimize currency risk.

Article 15—Technical assistance

1. The Bank may provide technical advice and assistance and other similar forms of assistance which serve its purpose and come within its functions.
2. Where expenditures incurred in furnishing such services are not reimbursable, the Bank shall charge such expenditures to the income of the Bank.

Chapter IV

Finances of the Bank

Article 16—General powers

In addition to the powers specified elsewhere in this Agreement, the Bank shall have the powers set out below.

1. The Bank may raise funds, through borrowing or other means, in member countries or elsewhere, in accordance with the relevant legal provisions.
2. The Bank may buy and sell securities the Bank has issued or guaranteed or in which it has invested.
3. The Bank may guarantee securities in which it has invested in order to facilitate their sale.
4. The Bank may underwrite, or participate in the underwriting of, securities issued by any entity or enterprise for purposes consistent with the purpose of the Bank.
5. The Bank may invest or deposit funds not needed in its operations.
6. The Bank shall ensure that every security issued or guaranteed by the Bank shall bear on its face a conspicuous statement to the effect that it is not an obligation of any Government, unless it is in fact the obligation of a particular Government, in which case it shall so state.
7. The Bank may establish and administer funds held in trust for other parties, provided such trust funds are designed to serve the purpose and come within the functions of the Bank, under a trust fund framework which shall have been approved by the Board of Governors.
8. The Bank may establish subsidiary entities which are designed to serve the purpose and come within the functions of the Bank, only with the approval of the Board of Governors by a Special Majority vote as provided in Article 28.
9. The Bank may exercise such other powers and establish such rules and regulations as may be necessary or appropriate in furtherance of its purpose and functions, consistent with the provisions of this Agreement.

Article 17—Special funds

1. The Bank may accept Special Funds which are designed to serve the purpose and come within the functions of the Bank; such Special Funds shall be resources of the Bank. The full cost of administering any Special Fund shall be charged to that Special Fund.
2. Special Funds accepted by the Bank may be used on terms and conditions consistent with the purpose and functions of the Bank and with the agreement relating to such Funds.

3. The Bank shall adopt such special rules and regulations as may be required for the establishment, administration and use of each Special Fund. Such rules and regulations shall be consistent with the provisions of this Agreement, except for those provisions expressly applicable only to ordinary operations of the Bank.
4. The term “Special Funds resources” shall refer to the resources of any Special Fund and shall include:
 - (i) funds accepted by the Bank for inclusion in any Special Fund;
 - (ii) funds received in respect of loans or guarantees, and the proceeds of any equity investments, financed from the resources of any Special Fund which, under the rules and regulations of the Bank governing that Special Fund, are received by such Special Fund;
 - (iii) income derived from investment of Special Funds resources; and
 - (iv) any other resources placed at the disposal of any Special Fund.

Article 18—Allocation and distribution of net income

1. The Board of Governors shall determine at least annually what part of the net income of the Bank shall be allocated, after making provision for reserves, to retained earnings or other purposes and what part, if any, shall be distributed to the members. Any such decision on the allocation of the Bank’s net income to other purposes shall be taken by a Super Majority vote as provided in Article 28.
2. The distribution referred to in the preceding paragraph shall be made in proportion to the number of shares held by each member, and payments shall be made in such manner and in such currency as the Board of Governors shall determine.

Article 19—Currencies

1. Members shall not impose any restrictions on currencies, including the receipt, holding, use or transfer by the Bank or by any recipient from the Bank, for payments in any country.
2. Whenever it shall become necessary under this Agreement to value any currency in terms of another or determine whether any currency is convertible, such valuation or determination shall be made by the Bank.

Article 20—Methods of meeting liabilities of the Bank

1. In the Bank’s ordinary operations, in cases of arrears or default on loans made, participated in, or guaranteed by the Bank, and in cases of losses on equity investment or other types of financing under sub-paragraph 2 (vi) of Article 11, the Bank shall take such action as it deems appropriate. The Bank shall maintain appropriate provisions against possible losses.
2. Losses arising in the Bank’s ordinary operations shall be charged:

- (i) first, to the provisions referred to in paragraph 1 above;
- (ii) second, to net income;
- (iii) third, against reserves and retained earnings;
- (iv) fourth, against unimpaired paid-in capital; and
- (v) last, against an appropriate amount of the uncalled subscribed callable capital which shall be called in accordance with the provisions of paragraph 3 of Article 6.

Chapter V Governance

Article 21—Structure

The Bank shall have a Board of Governors, a Board of Directors, a President, one or more Vice-Presidents, and such other officers and staff as may be considered necessary.

Article 22—Board of Governors: composition

1. Each member shall be represented on the Board of Governors and shall appoint one Governor and one Alternate Governor. Each Governor and Alternate Governor shall serve at the pleasure of the appointing member. No Alternate Governor may vote except in the absence of his principal.
2. At each of its annual meetings, the Board shall elect one of the Governors as Chairman who shall hold office until the election of the next Chairman.
3. Governors and Alternate Governors shall serve as such without remuneration from the Bank, but the Bank may pay them reasonable expenses incurred in attending meetings.

Article 23—Board of Governors: powers

1. All the powers of the Bank shall be vested in the Board of Governors.
2. The Board of Governors may delegate to the Board of Directors any or all its powers, except the power to:
 - (i) admit new members and determine the conditions of their admission;
 - (ii) increase or decrease the authorized capital stock of the Bank;
 - (iii) suspend a member;
 - (iv) decide appeals from interpretations or applications of this Agreement given by the Board of Directors;
 - (v) elect the Directors of the Bank and determine the expenses to be paid for Directors and Alternate Directors and remuneration, if any, pursuant to paragraph 6 of Article 25;

- (vi) elect the President, suspend or remove him from office, and determine his remuneration and other conditions of service;
 - (vii) approve, after reviewing the auditors' report, the general balance sheet and the statement of profit and loss of the Bank;
 - (viii) determine the reserves and the allocation and distribution of the net profits of the Bank;
 - (ix) amend this Agreement;
 - (x) decide to terminate the operations of the Bank and to distribute its assets; and
 - (xi) exercise such other powers as are expressly assigned to the Board of Governors in this Agreement.
3. The Board of Governors shall retain full power to exercise authority over any matter delegated to the Board of Directors under paragraph 2 of this Article.

Article 24—Board of Governors: procedure

1. The Board of Governors shall hold an annual meeting and such other meetings as may be provided for by the Board of Governors or called by the Board of Directors. Meetings of the Board of Governors shall be called by the Board of Directors whenever requested by five (5) members of the Bank.
2. A majority of the Governors shall constitute a quorum for any meeting of the Board of Governors, provided such majority represents not less than two-thirds of the total voting power of the members.
3. The Board of Governors shall by regulation establish procedures whereby the Board of Directors may obtain a vote of the Governors on a specific question without a meeting and provide for electronic meetings of the Board of Governors in special circumstances.
4. The Board of Governors, and the Board of Directors to the extent authorized, may establish such subsidiary entities, and adopt such rules and regulations, as may be necessary or appropriate to conduct the business of the Bank.

Article 25—Board of Directors: composition

1. The Board of Directors shall be composed of twelve (12) members who shall not be members of the Board of Governors, and of whom:
 - (i) nine (9) shall be elected by the Governors representing regional members; and
 - (ii) three (3) shall be elected by the Governors representing non-regional members.

Directors shall be persons of high competence in economic and financial matters and shall be elected in accordance with Schedule B. Directors shall represent members whose Governors have elected them as well as members whose Governors assign their votes to them.

2. The Board of Governors shall, from time to time, review the size and composition of the Board of Directors, and may increase or decrease the size or revise the composition as appropriate, by a Super Majority vote as provided in Article 28.
3. Each Director shall appoint an Alternate Director with full power to act for him when he is not present. The Board of Governors shall adopt rules enabling a Director elected by more than a specified number of members to appoint an additional Alternate Director.
4. Directors and Alternate Directors shall be nationals of member countries. No two or more Directors may be of the same nationality nor may any two or more Alternate Directors be of the same nationality. Alternate Directors may participate in meetings of the Board but may vote only when the Alternate Director is acting in place of the Director.
5. Directors shall hold office for a term of two (2) years and may be re-elected.
 - (a) Directors shall continue in office until their successors shall have been chosen and assumed office.
 - (b) If the office of a Director becomes vacant more than one hundred and eighty (180) days before the end of his term, a successor shall be chosen in accordance with Schedule B, for the remainder of the term, by the Governors who elected the former Director. A majority of the votes cast by such Governors shall be required for such election. The Governors who elected a Director may similarly choose a successor if the office of a Director becomes vacant one hundred and eighty (180) days or less before the end of his term.
 - (c) While the office of a Director remains vacant, an Alternate Director of the former Director shall exercise the powers of the latter, except that of appointing an Alternate Director.
6. Directors and Alternate Directors shall serve without remuneration from the Bank, unless the Board of Governors shall decide otherwise, but the Bank may pay them reasonable expenses incurred in attending meetings.

Article 26—Board of Directors: powers

The Board of Directors shall be responsible for the direction of the general operations of the Bank and, for this purpose, shall, in addition to the powers assigned to it expressly by this Agreement, exercise all the powers delegated to it by the Board of Governors, and in particular:

- (i) prepare the work of the Board of Governors;
- (ii) establish the policies of the Bank, and, by a majority representing not less than three-fourths of the total voting power of the members, take decisions on major operational and financial policies and on delegation of authority to the President under Bank policies;

- (iii) take decisions concerning operations of the Bank under paragraph 2 of Article 11, and, by a majority representing not less than three-fourths of the total voting power of the members, decide on the delegation of such authority to the President;
- (iv) supervise the management and the operation of the Bank on a regular basis, and establish an oversight mechanism for that purpose, in line with principles of transparency, openness, independence and accountability;
- (v) approve the strategy, annual plan and budget of the Bank;
- (vi) appoint such committees as deemed advisable; and
- (vii) submit the audited accounts for each financial year for approval of the Board of Governors.

Article 27—Board of Directors: procedure

1. The Board of Directors shall meet as often as the business of the Bank may require, periodically throughout the year. The Board of Directors shall function on a non-resident basis except as otherwise decided by the Board of Governors by a Super Majority vote as provided in Article 28. Meetings may be called by the Chairman or whenever requested by three (3) Directors.
2. A majority of the Directors shall constitute a quorum for any meeting of the Board of Directors, provided such majority represents not less than two-thirds of the total voting power of the members.
3. The Board of Governors shall adopt Regulations under which, if there is no Director of its nationality, a member may send a representative to attend, without right to vote, any meeting of the Board of Directors when a matter particularly affecting that member is under consideration.
4. The Board of Directors shall establish procedures whereby the Board can hold an electronic meeting or vote on a matter without holding a meeting.

Article 28—Voting

1. The total voting power of each member shall consist of the sum of its basic votes, share votes and, in the case of a Founding Member, its Founding Member votes.
 - (i) The basic votes of each member shall be the number of votes that results from the equal distribution among all the members of twelve (12) per cent of the aggregate sum of the basic votes, share votes and Founding Member votes of all the members.
 - (ii) The number of the share votes of each member shall be equal to the number of shares of the capital stock of the Bank held by that member.

- (iii) Each Founding Member shall be allocated six hundred (600) Founding Member votes.

In the event a member fails to pay any part of the amount due in respect of its obligations in relation to paid-in shares under Article 6, the number of share votes to be exercised by the member shall, as long as such failure continues, be reduced proportionately, by the percentage which the amount due and unpaid represents of the total par value of paid-in shares subscribed to by that member.

2. In voting in the Board of Governors, each Governor shall be entitled to cast the votes of the member he represents.
 - (i) Except as otherwise expressly provided in this Agreement, all matters before the Board of Governors shall be decided by a majority of the votes cast.
 - (ii) A Super Majority vote of the Board of Governors shall require an affirmative vote of two-thirds of the total number of Governors, representing not less than three-fourths of the total voting power of the members.
 - (iii) A Special Majority vote of the Board of Governors shall require an affirmative vote of a majority of the total number of Governors, representing not less than a majority of the total voting power of the members.
3. In voting in the Board of Directors, each Director shall be entitled to cast the number of votes to which the Governors who elected him are entitled and those to which any Governors who have assigned their votes to him, pursuant to Schedule B, are entitled.
 - (i) A Director entitled to cast the votes of more than one member may cast the votes for those members separately.
 - (ii) Except as otherwise expressly provided in this Agreement, all matters before the Board of Directors shall be decided by a majority of the votes cast.

Article 29—The President

1. The Board of Governors, through an open, transparent and merit-based process, shall elect a president of the Bank by a Super Majority vote as provided in Article 28. He shall be a national of a regional member country. The President, while holding office, shall not be a Governor or a Director or an Alternate for either.
2. The term of office of the President shall be five (5) years. He may be re-elected once. The President may be suspended or removed from office when the Board of Governors so decides by a Super Majority vote as provided in Article 28.
 - (a) If the office of the President for any reason becomes vacant during his term, the Board of Governors shall appoint an Acting President for a

temporary period or elect a new President, in accordance with paragraph 1 of this Article.

3. The President shall be Chairman of the Board of Directors but shall have no vote, except a deciding vote in case of an equal division. He may participate in meetings of the Board of Governors but shall not vote.
4. The President shall be the legal representative of the Bank. He shall be chief of the staff of the Bank and shall conduct, under the direction of the Board of Directors, the current business of the Bank.

Article 30—Officers and staff of the Bank

1. One or more Vice-Presidents shall be appointed by the Board of Directors on the recommendation of the President, on the basis of an open, transparent and merit-based process. A Vice-President shall hold office for such term, exercise such authority and perform such functions in the administration of the Bank, as may be determined by the Board of Directors. In the absence or incapacity of the President, a Vice-President shall exercise the authority and perform the functions of the President.
2. The President shall be responsible for the organization, appointment and dismissal of the officers and staff in accordance with regulations adopted by the Board of Directors, with the exception of Vice-Presidents to the extent provided in paragraph 1 above.
3. In appointing officers and staff and recommending Vice-Presidents, the President shall, subject to the paramount importance of securing the highest standards of efficiency and technical competence, pay due regard to the recruitment of personnel on as wide a regional geographical basis as possible.

Article 31—The international character of the Bank

1. The Bank shall not accept Special Funds, loans or assistance that may in any way prejudice, limit, deflect or otherwise alter its purpose or functions.
2. The Bank, its President, officers and staff shall not interfere in the political affairs of any member, nor shall they be influenced in their decisions by the political character of the member concerned. Only economic considerations shall be relevant to their decisions. Such considerations shall be weighed impartially in order to achieve and carry out the purpose and functions of the Bank.
3. The President, officers and staff of the Bank, in the discharge of their offices, owe their duty entirely to the Bank and to no other authority. Each member of the Bank shall respect the international character of this duty and shall refrain from all attempts to influence any of them in the discharge of their duties.

Chapter VI General provisions

Article 32—Offices of the Bank

1. The principal office of the Bank shall be located in Beijing, People's Republic of China.
2. The Bank may establish agencies or offices elsewhere.

Article 33—Channel of communication; depositories

1. Each member shall designate an appropriate official entity with which the Bank may communicate in connection with any matter arising under this Agreement.
2. Each member shall designate its central bank, or such other institution as may be agreed upon with the Bank, as a depository with which the Bank may keep its holdings of currency of that member as well as other assets of the Bank.
3. The Bank may hold its assets with such depositories as the Board of Directors shall determine.

Article 34—Reports and information

1. The working language of the Bank shall be English, and the Bank shall rely on the English text of this Agreement for all decisions and for interpretations under Article 54.
2. Members shall furnish the Bank with such information it may reasonably request of them in order to facilitate the performance of its functions.
3. The Bank shall transmit to its members an annual report containing an audited statement of its accounts and shall publish such report. It shall also transmit quarterly to its members a summary statement of its financial position and a profit and loss statement showing the results of its operations.
4. The Bank shall establish a policy on the disclosure of information in order to promote transparency in its operations. The Bank may publish such reports as it deems desirable in the carrying out of its purpose and functions.

Article 35—Cooperation with members and international organizations

1. The Bank shall work in close cooperation with all its members, and, in such manner as it may deem appropriate within the terms of this Agreement, with other international financial institutions, and international organizations concerned with the economic development of the region or the Bank's operational areas.
2. The Bank may enter into arrangements with such organizations for purposes consistent with this Agreement, with the approval of the Board of Directors.

Article 36—References

1. References in this Agreement to Article or Schedule refer to Articles and Schedules of this Agreement, unless otherwise specified.
2. References in this Agreement to a specific gender shall be equally applicable to any gender.

Chapter VII Withdrawal and suspension of members

Article 37—Withdrawal of membership

1. Any member may withdraw from the Bank at any time by delivering a notice in writing to the Bank at its principal office.
2. Withdrawal by a member shall become effective, and its membership shall cease, on the date specified in its notice but in no event less than six (6) months after the date that notice has been received by the Bank. However, at any time before the withdrawal becomes finally effective, the member may notify the Bank in writing of the cancellation of its notice of intention to withdraw.
3. A withdrawing member shall remain liable for all direct and contingent obligations to the Bank to which it was subject at the date of delivery of the withdrawal notice. If the withdrawal becomes finally effective, the member shall not incur any liability for obligations resulting from operations of the Bank effected after the date on which the withdrawal notice was received by the Bank.

Article 38—Suspension of membership

1. If a member fails to fulfill any of its obligations to the Bank, the Board of Governors may suspend such member by a Super Majority vote as provided in Article 28.
2. The member so suspended shall automatically cease to be a member one (1) year from the date of its suspension, unless the Board of Governors decides by a Super Majority vote as provided in Article 28 to restore the member to good standing.
3. While under suspension, a member shall not be entitled to exercise any rights under this Agreement, except the right of withdrawal, but shall remain subject to all its obligations.

Article 39—Settlement of accounts

1. After the date on which a country ceases to be a member, it shall remain liable for its direct obligations to the Bank and for its contingent liabilities to the Bank so long as any part of the loans, guarantees, equity investments or other forms of financing under paragraph 2 (vi) of Article 11 (hereinafter, other

- financing) contracted before it ceased to be a member is outstanding, but it shall not incur liabilities with respect to loans, guarantees, equity investments or other financing entered into thereafter by the Bank nor share either in the income or the expenses of the Bank.
2. At the time a country ceases to be a member, the Bank shall arrange for the repurchase of such country's shares by the Bank as a part of the settlement of accounts with such country in accordance with the provisions of paragraphs 3 and 4 of this Article. For this purpose, the repurchase price of the shares shall be the value shown by the books of the Bank on the date the country ceases to be a member.
 3. The payment for shares repurchased by the Bank under this Article shall be governed by the following conditions:
 - (i) Any amount due to the country concerned for its shares shall be withheld so long as that country, its central bank or any of its agencies, instrumentalities or political subdivisions remains liable, as borrower, guarantor or other contracting party with respect to equity investment or other financing, to the Bank and such amount may, at the option of the Bank, be applied on any such liability as it matures. No amount shall be withheld on account of the contingent liability of the country for future calls on its subscription for shares in accordance with paragraph 3 of Article 6. In any event, no amount due to a member for its shares shall be paid until six (6) months after the date on which the country ceases to be a member.
 - (ii) Payments for shares may be made from time to time, upon surrender of the corresponding stock certificates by the country concerned, to the extent by which the amount due as the repurchase price in accordance with paragraph 2 of this Article exceeds the aggregate amount of liabilities, on loans, guarantees, equity investments and other financing referred to in sub-paragraph (i) of this paragraph, until the former member has received the full repurchase price.
 - (iii) Payments shall be made in such available currencies as the Bank determines, taking into account its financial position.
 - (iv) If losses are sustained by the Bank on any loans, guarantees, equity investments or other financing which were outstanding on the date when a country ceased to be a member and the amount of such losses exceeds the amount of the reserve provided against losses on that date, the country concerned shall repay, upon demand, the amount by which the repurchase price of its shares would have been reduced if the losses had been taken into account when the repurchase price was determined. In addition, the former member shall remain liable on any call for unpaid subscriptions in accordance with paragraph 3 of Article 6, to the same extent that it would have been required to respond if the impairment of

capital had occurred and the call had been made at the time the repurchase price of its shares was determined.

4. If the Bank terminates its operations pursuant to Article 41 within six (6) months of the date upon which any country ceases to be a member, all rights of the country concerned shall be determined in accordance with the provisions of Articles 41 to 43. Such country shall be considered as still a member for purposes of such Articles but shall have no voting rights.

Chapter VIII

Suspension and termination of operations of the Bank

Article 40—Temporary suspension of operations

In an emergency, the Board of Directors may temporarily suspend operations in respect of new loans, guarantees, equity investment and other forms of financing under sub-paragraph 2 (vi) of Article 11, pending an opportunity for further consideration and action by the Board of Governors.

Article 41—Termination of operations

1. The Bank may terminate its operations by a resolution of the Board of Governors approved by a Super Majority vote as provided in Article 28.
2. After such termination, the Bank shall forthwith cease all activities, except those incident to the orderly realization, conservation and preservation of its assets and settlement of its obligations.

Article 42—Liability of members and payments of claims

1. In the event of termination of the operation of the Bank, the liability of all members for uncalled subscriptions to the capital stock of the Bank and in respect of the depreciation of their currencies shall continue until all claims of creditors, including all contingent claims, shall have been discharged.
2. All creditors holding direct claims shall first be paid out of the assets of the Bank and then out of payments to the Bank or unpaid or callable subscriptions. Before making any payments to creditors holding direct claims, the Board of Directors shall make such arrangements as are necessary, in its judgment, to ensure a pro rata distribution among holders of direct and contingent claims.

Article 43—Distribution of assets

1. No distribution of assets shall be made to members on account of their subscriptions to the capital stock of the Bank until:
 - (i) all liabilities to creditors have been discharged or provided for; and
 - (ii) the Board of Governors has decided, by a Super Majority vote as provided in Article 28, to make such distribution.

2. Any distribution of the assets of the Bank to the members shall be in proportion to the capital stock held by each member and shall be effected at such times and under such conditions as the Bank shall deem fair and equitable. The shares of assets distributed need not be uniform as to type of asset. No member shall be entitled to receive its share in such a distribution of assets until it has settled all of its obligations to the Bank.
3. Any member receiving assets distributed pursuant to this Article shall enjoy the same rights with respect to such assets as the Bank enjoyed prior to their distribution.

Chapter IX

Status, immunities, privileges and exemptions

Article 44—Purposes of Chapter

1. To enable the Bank to fulfill its purpose and carry out the functions entrusted to it, the status, immunities, privileges and exemptions set forth in this Chapter shall be accorded to the Bank in the territory of each member.
2. Each member shall promptly take such action as is necessary to make effective in its own territory the provisions set forth in this Chapter and shall inform the Bank of the action which it has taken.

Article 45—Status of the Bank

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

- (i) to contract;
- (ii) to acquire, and dispose of, immovable and movable property;
- (iii) to institute and respond to legal proceedings; and
- (iv) to take such other action as may be necessary or useful for its purpose and activities.

Article 46—Immunity from judicial proceedings

1. The Bank shall enjoy immunity from every form of legal process, except in cases arising out of or in connection with the exercise of its powers to raise funds, through borrowings or other means, to guarantee obligations, or to buy and sell or underwrite the sale of securities, in which cases actions may be brought against the Bank only in a court of competent jurisdiction in the territory of a country in which the Bank has an office, or has appointed an agent for the purpose of accepting service or notice of process, or has issued or guaranteed securities.
2. Notwithstanding the provisions of paragraph 1 of this Article, no action shall be brought against the Bank by any member, or by any agency or instrumental-

ity of a member, or by any entity or person directly or indirectly acting for or deriving claims from a member or from any agency or instrumentality of a member. Members shall have recourse to such special procedures for the settlement of controversies between the Bank and its members as may be prescribed in this Agreement, in the by-laws and regulations of the Bank, or in the contracts entered into with the Bank.

3. Property and assets of the Bank shall, wheresoever located and by whomsoever held, be immune from all forms of seizure, attachment or execution before the delivery of final judgment against the Bank.

Article 47—Immunity of assets and archives

1. Property and assets of the Bank, wheresoever located and by whomsoever held, shall be immune from search, requisition, confiscation, expropriation or any other form of taking or foreclosure by executive or legislative action.
2. The archives of the Bank, and, in general, all documents belonging to it, or held by it, shall be inviolable, wheresoever located and by whomsoever held.

Article 48—Freedom of assets from restrictions

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

Article 49—Privilege for communications

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

Article 50—Immunities and privileges of officers and employees

All Governors, Directors, Alternates, the President, Vice-Presidents and other officers and employees of the Bank, including experts and consultants performing missions or services for the Bank:

- (i) shall be immune from legal process with respect to acts performed by them in their official capacity, except when the Bank waives the immunity and shall enjoy inviolability of all their official papers, documents and records;
- (ii) where they are not local citizens or nationals, shall be accorded the same immunities from immigration restrictions, alien registration requirements and national service obligations, and the same facilities as regards exchange regulations, as are accorded by members to the representatives, officials and employees of comparable rank of other members; and
- (iii) shall be granted the same treatment in respect of travelling facilities as is accorded by members to representatives, officials and employees of comparable rank of other members.

Article 51—Exemption from taxation

1. The Bank, its assets, property, income and its operations and transactions pursuant to this Agreement, shall be exempt from all taxation and from all customs duties. The Bank shall also be exempt from any obligation for the payment, withholding or collection of any tax or duty.
2. No tax of any kind shall be levied on or in respect of salaries, emoluments and expenses, as the case may be, paid by the Bank to Directors, Alternate Directors, the President, Vice-Presidents and other officers or employees of the Bank, including experts and consultants performing missions or services for the Bank, except where a member deposits with its instrument of ratification, acceptance, or approval a declaration that such member retains for itself and its political subdivisions the right to tax salaries, and emoluments, as the case may be, paid by the Bank to citizens or nationals of such member.
3. No tax of any kind shall be levied on any obligation or security issued by the Bank, including any dividend or interest thereon, by whomsoever held:
 - (i) which discriminates against such obligation or security solely because it is issued by the Bank; or
 - (ii) if the sole jurisdictional basis for such taxation is the place or currency in which it is issued, made payable or paid, or the location of any office or place of business maintained by the Bank.
4. No tax of any kind shall be levied on any obligation or security guaranteed by the Bank, including any dividend or interest thereon, by whomsoever held:
 - (i) which discriminates against such obligation or security solely because it is guaranteed by the Bank; or
 - (ii) if the sole jurisdictional basis for such taxation is the location of any office or place of business maintained by the Bank.

Article 52—Waivers

1. The Bank at its discretion may waive any of the privileges, immunities and exemptions conferred under this Chapter in any case or instance, in such manner and upon such conditions as it may determine to be appropriate in the best interests of the Bank.

Chapter X **Amendment, interpretation and arbitration**

Article 53—Amendments

1. This Agreement may be amended only by a resolution of the Board of Governors approved by a Super Majority vote as provided in Article 28.

2. Notwithstanding the provisions of paragraph 1 of this Article, the unanimous agreement of the Board of Governors shall be required for the approval of any amendment modifying:
 - (i) the right to withdraw from the Bank;
 - (ii) the limitations on liability provided in paragraphs 3 and 4 of Article 7; and
 - (iii) the rights pertaining to purchase of capital stock provided in paragraph 4 of Article 5.
3. Any proposal to amend this Agreement, whether emanating from a member or the Board of Directors, shall be communicated to the Chairman of the Board of Governors, who shall bring the proposal before the Board of Governors. When an amendment has been adopted, the Bank shall so certify in an official communication addressed to all members. Amendments shall enter into force for all members three (3) months after the date of the official communication unless the Board of Governors specifies therein a different period.

Article 54—Interpretation

1. Any question of interpretation or application of the provisions of this Agreement arising between any member and the Bank, or between two or more members of the Bank, shall be submitted to the Board of Directors for decision. If there is no Director of its nationality on that Board, a member particularly affected by the question under consideration shall be entitled to direct representation in the Board of Directors during such consideration; the representative of such member shall, however, have no vote. Such right of representation shall be regulated by the Board of Governors.
2. In any case where the Board of Directors has given a decision under paragraph 1 of this Article, any member may require that the question be referred to the Board of Governors, whose decision shall be final. Pending the decision of the Board of Governors, the Bank may, so far as it deems necessary, act on the basis of the decision of the Board of Directors.

Article 55—Arbitration

If a disagreement should arise between the Bank and a country which has ceased to be a member, or between the Bank and any member after adoption of a resolution to terminate the operations of the Bank, such disagreement shall be submitted to arbitration by a tribunal of three arbitrators. One of the arbitrators shall be appointed by the Bank, another by the country concerned, and the third, unless the parties otherwise agree, by the President of the International Court of Justice or such other authority as may have been prescribed by regulations adopted by the Board of Governors. A majority vote of the arbitrators shall be sufficient to reach a decision which shall be final and binding upon the parties. The third arbitrator shall be empowered to settle all questions of procedure in any case where the parties are in disagreement with respect thereto.

Article 56—Approval deemed given

Whenever the approval of any member is required before any act may be done by the Bank except under paragraph 2 of Article 53, approval shall be deemed to have been given unless the member presents an objection within such reasonable period as the Bank may fix in notifying the member of the proposed act.

Chapter XI Final provisions

Article 57—Signature and deposit

1. This Agreement, deposited with the Government of the People's Republic of China (hereinafter called the "Depository"), shall remain open until December 31, 2015 for signature by the Governments of countries whose names are set forth in Schedule A.
2. The Depository shall send certified copies of this Agreement to all the Signatories and other countries which become members of the Bank.

Article 58—Ratification, acceptance or approval

1. This Agreement shall be subject to ratification, acceptance or approval by the Signatories. Instruments of ratification, acceptance or approval shall be deposited with the Depository not later than December 31, 2016, or if necessary, until such later date as may be decided by the Board of Governors by a Special Majority vote as provided in Article 28. The Depository shall duly notify the other Signatories of each deposit and the date thereof.
2. A Signatory whose instrument of ratification, acceptance or approval is deposited before the date on which this Agreement enters into force, shall become a member of the Bank, on that date. Any other Signatory which complies with the provisions of the preceding paragraph, shall become a member of the Bank on the date on which its instrument of ratification, acceptance or approval is deposited.

Article 59—Entry into force

This Agreement shall enter into force when instruments of ratification, acceptance or approval have been deposited by at least ten (10) Signatories whose initial subscriptions, as set forth in Schedule A to this Agreement, in the aggregate comprise not less than fifty (50) per cent of total of such subscriptions.

Article 60—Inaugural meeting and commencement of operations

1. As soon as this Agreement enters into force, each member shall appoint a Governor, and the Depository shall call the inaugural meeting of the Board of Governors.
2. At its inaugural meeting, the Board of Governors:

- (i) shall elect the President;
 - (ii) shall elect the Directors of the Bank in accordance with paragraph 1 of Article 25, provided that the Board of Governors may decide to elect fewer Directors for an initial period shorter than two years in consideration of the number of members and Signatories which have not yet become members;
 - (iii) shall make arrangements for the determination of the date on which the Bank shall commence its operations; and
 - (iv) shall make such other arrangements as necessary to prepare for the commencement of the Bank's operations.
3. The Bank shall notify its members of the date of the commencement of its operations.

DONE at Beijing, People's Republic of China on June 29, 2015, in a single original deposited in the archives of the Depository, whose English, Chinese and French texts are equally authentic.

Schedule A

Initial Subscriptions to the Authorized Capital Stock for Countries Which May Become Members in accordance with Article 58

	Number of Shares	Capital Subscription (in million \$)
PART A.		
REGIONAL MEMBERS		
Australia	36,912	3,691.2
Azerbaijan	2,541	254.1
Bangladesh	6,605	660.5
Brunei Darussalam	524	52.4
Cambodia	623	62.3
China	297,804	29,780.4
Georgia	539	53.9
India	83,673	8,367.3
Indonesia	33,607	3,360.7
Iran	15,808	1,580.8
Israel	7,499	749.9
Jordan	1,192	119.2
Kazakhstan	7,293	729.3
Korea	37,388	3,738.8
Kuwait	5,360	536.0

	Number of Shares	Capital Subscription (in million \$)
Kyrgyz Republic	268	26.8
Lao People's Democratic Republic	430	43.0
Malaysia	1,095	109.5
Maldives	72	7.2
Mongolia	411	41.1
Myanmar	2,645	264.5
Nepal	809	80.9
New Zealand	4,615	461.5
Oman	2,592	259.2
Pakistan	10,341	1,034.1
Philippines	9,791	979.1
Qatar	6,044	604.4
Russia	65,362	6,536.2
Saudi Arabia	25,446	2,544.6
Singapore	2,500	250.0
Sri Lanka	2,690	269.0
Tajikistan	309	30.9
Thailand	14,275	1,427.5
Turkey	26,099	2,609.9
United Arab Emirates	11,857	1,185.7
Uzbekistan	2,198	219.8
Vietnam	6,633	663.3
Unallocated	16,150	1,615.0
TOTAL	750,000	75,000.0
PART B.		
NON-REGIONAL MEMBERS		
Austria	5,008	500.8
Brazil	31,810	3,181.0
Denmark	3,695	369.5
Egypt	6,505	650.5
Finland	3,103	310.3
France	33,756	3,375.6
Germany	44,842	4,484.2
Iceland	176	17.6

	Number of Shares	Capital Subscription (in million \$)
Italy	25,718	2,571.8
Luxembourg	697	69.7
Malta	136	13.6
Netherlands	10,313	1,031.3
Norway	5,506	550.6
Poland	8,318	831.8
Portugal	650	65.0
South Africa	5,905	590.5
Spain	17,615	1,761.5
Sweden	6,300	630.0
Switzerland	7,064	706.4
United Kingdom	30,547	3,054.7
Unallocated	2,336	233.6
TOTAL	250,000	25,000.0
GRAND TOTAL	1,000,000	100,000.0

Schedule B

Election of Directors

The Board of Governors shall prescribe rules for the conduct of each election of Directors, in accordance with the following provisions.

1. Constituencies. Each Director shall represent one or more members in a constituency. The total aggregate voting power of each constituency shall consist of the votes which the Director is entitled to cast under paragraph 3 of Article 28.
2. Constituency Voting Power. For each election, the Board of Governors shall establish a Minimum Percentage for constituency voting power for Directors to be elected by Governors representing regional members (Regional Directors) and a Minimum Percentage for constituency voting power for Directors to be elected by Governors representing non-regional members (Non-Regional Directors).
 - (a) The Minimum Percentage for Regional Directors shall be set as a percentage of the total votes eligible to be cast in the election by the Governors representing regional members (Regional Governors). The initial Minimum Percentage for Regional Directors shall be 6%.
 - (b) The Minimum Percentage for Non-Regional Directors shall be set as a percentage of the total votes eligible to be cast in the election by the Governors representing non-regional members (Non-Regional

- Governors). The initial Minimum Percentage for Non-Regional Directors shall be 15%.
3. Adjustment Percentage. In order to adjust voting power across constituencies when subsequent rounds of balloting are required under paragraph 7 below, the Board of Governors shall establish, for each election, an Adjustment Percentage for Regional Directors and an Adjustment Percentage for Non-Regional Directors. Each Adjustment Percentage shall be higher than the corresponding Minimum Percentage.
 - (a) The Adjustment Percentage for Regional Directors shall be set as a percentage of the total votes eligible to be cast in the election by the Regional Governors. The initial Adjustment Percentage for Regional Directors shall be 15%.
 - (b) The Adjustment Percentage for Non-Regional Directors shall be set as a percentage of the total votes eligible to be cast in the election by the Non-Regional Governors. The initial Adjustment Percentage for Non-Regional Directors shall be 60%.
 4. Number of Candidates. For each election, the Board of Governors shall establish the number of Regional Directors and Non-Regional Directors to be elected, in light of its decisions on the size and composition of the Board of Directors pursuant to paragraph 2 of Article 25.
 - (a) The initial number of Regional Directors shall be nine.
 - (b) The initial number of Non-Regional Directors shall be three.
 5. Nominations. Each Governor may only nominate one person. Candidates for the office of Regional Director shall be nominated by Regional Governors. Candidates for the office of Non-Regional Director shall be nominated by Non-Regional Governors.
 6. Voting. Each Governor may vote for one candidate, casting all of the votes to which the member appointing him is entitled under paragraph 1 of Article 28. The election of Regional Directors shall be by ballot of Regional Governors. The election of Non-Regional Directors shall be by ballot of Non-Regional Governors.
 7. First Ballot. On the first ballot, candidates receiving the highest number of votes, up to the number of Directors to be elected, shall be elected as Directors, provided that, to be elected, a candidate shall have received a sufficient number of votes to reach the applicable Minimum Percentage.
 - (a) If the required number of Directors is not elected on the first ballot, and the number of candidates was the same as the number of Directors to be elected, the Board of Governors shall determine the subsequent actions to complete the election of Regional Directors or the election of Non-Regional Directors, as the case may be.

8. Subsequent Ballots. If the required number of Directors is not elected on the first ballot, and there were more candidates than the number of Directors to be elected on the ballot, there shall be subsequent ballots, as necessary. For subsequent ballots:
- (a) The candidate receiving the lowest number of votes in the preceding ballot shall not be a candidate in the next ballot.
 - (b) Votes shall be cast only by:
 - (i) Governors who voted in the preceding ballot for a candidate who was not elected; and
 - (ii) Governors whose votes for a candidate who was elected are deemed to have raised the votes for that candidate above the applicable Adjustment Percentage under (c) below.
 - (c) The votes of all the Governors who cast votes for each candidate shall be added in descending order of number, until the number of votes representing the applicable Adjustment Percentage has been exceeded. Governors whose votes were counted in that calculation shall be deemed to have cast all their votes for that Director, including the Governor whose votes brought the total over the Adjustment Percentage. The remaining Governors whose votes were not counted in that calculation shall be deemed to have raised the candidate's total votes above the Adjustment Percentage, and the votes of those Governors shall not count towards the election of that candidate. These remaining Governors may vote in the next ballot.
 - (d) If in any subsequent ballot, only one Director remains to be elected, the Director may be elected by a simple majority of the remaining votes. All such remaining votes shall be deemed to have counted towards the election of the last Director.
9. Assignment of Votes. Any Governor who does not participate in voting for the election or whose votes do not contribute to the election of a Director may assign the votes to which he is entitled to an elected Director, provided that such Governor shall first have obtained the agreement of all those Governors who have elected that Director to such assignment.
10. Founding Member Privileges. The nomination and voting by Governors for Directors and the appointment of Alternate Directors by Directors shall respect the principle that each Founding Member shall have the privilege to designate the Director or an Alternate Director in its constituency permanently or on a rotating basis.

Notes

1 *General*

This is a consolidation of the International Finance Agreements Act 1961 that incorporates the amendments made to the legislation so that it shows the law as at its stated date.

2 *Legal status*

A consolidation is taken to correctly state, as at its stated date, the law enacted or made by the legislation consolidated and by the amendments. This presumption applies unless the contrary is shown.

Section 78 of the Legislation Act 2019 provides that this consolidation, published as an electronic version, is an official version. A printed version of legislation that is produced directly from this official electronic version is also an official version.

3 *Editorial and format changes*

The Parliamentary Counsel Office makes editorial and format changes to consolidations using the powers under subpart 2 of Part 3 of the Legislation Act 2019. See also PCO editorial conventions for consolidations.

4 *Amendments incorporated in this consolidation*

International Finance Agreements Order 2022 (SL 2022/280)
Reserve Bank of New Zealand Act 2021 (2021 No 31): section 300(1)
Secondary Legislation Act 2021 (2021 No 7): section 3
International Finance Agreements Amendment Act 2015 (2015 No 110)
International Finance Agreements Amendment Act 2013 (2013 No 4)
International Finance Agreements Amendment Act 2007 (2007 No 87)
International Finance Agreements Amendment Act 1998 (1998 No 115)
Treasurer (Statutory References) Act 1997 (1997 No 20): section 2
International Finance Agreements Amendment Act 1992 (1992 No 132)
Reserve Bank of New Zealand Act 1989 (1989 No 157): section 185
Public Finance Act 1989 (1989 No 44): sections 83(7), 86(1)
Public Finance Act 1977 (1977 No 65): section 160(1)
Tokelau Amendment Act 1976 (1976 No 122): section 3(8)
International Finance Agreements Amendment Act 1976 (1976 No 25)
Cook Islands Amendment Act 1964 (1964 No 70): section 58
Western Samoa Act 1961 (1961 No 68): sections 9, 10(1)