

No. 6370

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**INTERNATIONAL BANK FOR  
RECONSTRUCTION AND DEVELOPMENT  
and  
PAKISTAN**

**Loan Agreement—Indus Basin Project. Signed at Karachi,  
on 19 September 1960**

*Official text: English.*

*Registered by the International Bank for Reconstruction and Development on 23 November 1962.*

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**BANQUE INTERNATIONALE POUR  
LA RECONSTRUCTION ET LE DÉVELOPPEMENT  
et  
PAKISTAN**

**Contrat d'emprunt — Projet du bassin de l'Indus. Signé  
à Karachi, le 19 septembre 1960**

*Texte officiel anglais.*

*Enregistré par la Banque internationale pour la reconstruction et le développement le  
23 novembre 1962.*

No. 6370. LOAN AGREEMENT<sup>1</sup> (*INDUS BASIN PROJECT*)  
BETWEEN THE REPUBLIC OF PAKISTAN AND THE  
INTERNATIONAL BANK FOR RECONSTRUCTION AND  
DEVELOPMENT. SIGNED AT KARACHI, ON 19 SEP-  
TEMBER 1960

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AGREEMENT, dated September 19, 1960, between REPUBLIC OF PAKISTAN acting by its President (hereinafter called the Borrower) and INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT (hereinafter called the Bank).

WHEREAS (A) The Borrower and the Government of India have on the date hereof signed The Indus Waters Treaty 1960<sup>2</sup> (hereinafter called the Treaty) providing *inter alia* for the division and use of the waters of the Indus Basin ;

(B) The effective utilization by the Borrower of the waters assigned to it by the Treaty will require the construction of a system of works ;

(C) By the terms of Article V of the Treaty, the Government of India has undertaken to make a payment of 62,060,000 pounds sterling towards the cost of the part of such works which will accomplish the replacement of water supplies for irrigation canals in Pakistan which hitherto have been dependent on waters assigned by the Treaty to India, such sum to be paid to an Indus Basin Development Fund to be established and administered by the Bank ;

(D) The Borrower, the Bank and the Governments of the Commonwealth of Australia, Canada, the Federal Republic of Germany, New Zealand, the United Kingdom of Great Britain and Northern Ireland and the United States of America have, in the Indus Basin Development Fund Agreement signed on the date hereof<sup>3</sup> (hereinafter called the Fund Agreement), agreed to provide additional funds required for such works on the terms provided therein through an Indus Basin Development Fund (hereinafter called the Fund) established thereby, to be held and administered by the Bank as Administrator (the term "Administrator" being hereinafter used to refer to the Bank acting in that capacity pursuant to the Fund Agreement) ; and

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<sup>1</sup> Came into force on 17 January 1961, upon notification by the Bank to the Government of Pakistan.

<sup>2</sup> United Nations, *Treaty Series*, Vol. 419, p. 125.

<sup>3</sup> See p. 259 of this volume.

WHEREAS the Bank has agreed upon the basis, *inter alia*, of the foregoing to make a loan to the Borrower upon the terms and conditions hereinafter set forth ;

NOW THEREFORE, it is hereby agreed as follows :

### Article I

#### THE LOAN

*Section 1.01.* The Bank agrees to lend to the Borrower, on the terms and conditions in this Agreement set forth or referred to, an amount in various currencies equivalent to ninety million dollars (\$90,000,000), hereinafter referred to as the Loan.

*Section 1.02.* The Bank shall open a Loan Account on its books in the name of the Borrower and, except as the Borrower and the Bank may otherwise agree, shall, subject to the rights of cancellation and suspension set forth in this Agreement, credit to such Account on the Effective Date (for the period ending with the next March 31st or September 30th) and on the first day of each half-year period commencing with April 1st or October 1st thereafter :

(a) The part of the Loan specified in a notice by the Administrator pursuant to Section 3.01 of the Fund Agreement as the amount required to be contributed by the Bank to the Fund to cover the Bank's share of the estimated disbursements of the Fund during such period. Parts of the Loan so credited to the Loan Account shall be withdrawn by the Bank from the Loan Account, and paid by it to the Fund at the time or times specified in such notice, in dollars or in such other currency or currencies as shall be determined by the Bank. Not more than an aggregate amount of \$80,000,000 shall be credited to the Loan Account pursuant to this sub-paragraph (a).

(b) The part of the Loan which the Bank shall estimate will accrue during such period as interest and commitment charge on the Loan and the Bonds. On or before each semi-annual interest payment date the Bank shall withdraw from the Loan Account amounts required to pay such interest and commitment charge on such date and shall make payment thereof. Except as the Borrower and the Bank shall otherwise agree : (i) not more than an aggregate amount of \$10,000,000 shall be credited to the Loan Account pursuant to this sub-paragraph (b) ; (ii) no amounts so credited shall be withdrawn from the Loan Account after April 1, 1968 ; and (iii) no provision of this sub-paragraph (b) shall impair or modify the obligation of the Borrower to pay in full as in this Agreement and in the Bonds provided the interest and commitment charge on the Loan and the Bonds.

Parts of the Loan credited to the Loan Account pursuant to each of the foregoing sub-paragraphs of this Section shall be deemed to be withdrawn therefrom pursuant to that sub-paragraph in the order in which they were so credited.

*Section 1.03.* The Borrower shall pay to the Bank in dollars a commitment charge at the rate of three-fourths of one per cent ( $\frac{3}{4}$  of 1%) per annum on amounts of the Loan standing to the credit of the Borrower from time to time in the Loan Account. Such commitment charge shall accrue from the several dates on which amounts shall be credited to the Loan Account to the respective dates on which they withdrawn are from the Loan Account or are cancelled pursuant to this Agreement.

*Section 1.04.* (a) The Borrower shall pay interest on the principal amount of each part of the Loan withdrawn from the Loan Account and outstanding from time to time at such rate as shall have been notified by the Bank to the Borrower at the time when such part of the Loan was credited to the Loan Account as being the rate then generally applicable to new long-term Bank loans. Interest shall accrue from the respective dates on which amounts shall be so withdrawn. Interest on any portion of the Loan shall be payable in the currency in which the principal of such portion of the Loan is repayable.

(b) In all cases in which it shall be necessary to compute the amount of interest or any other charge which shall have accrued under this Agreement, such computation shall be made on the basis of a 360-day year of twelve 30-day months.

*Section 1.05.* Interest and other charges shall be payable semi-annually on April 1st and October 1st in each year.

*Section 1.06.* (a) The Borrower shall repay the principal amount of each part of the Loan withdrawn from the Loan Account in proportion to, and in accordance with, the several maturities of the amortization schedule set forth in Schedule 1<sup>1</sup> to this Agreement.

(b) The principal of the Loan shall be repayable in the several currencies withdrawn from the Loan Account and the amount repayable in each currency shall be the amount withdrawn in that currency. The foregoing provision is subject to one exception, namely : if withdrawal shall be made in any currency which the Bank shall have purchased with another currency for the purpose of such withdrawal, the portion of the Loan so withdrawn shall be repayable in such other currency and the amount so repayable shall be the amount paid by the Bank on such purchase. Except as the Bank and the Borrower shall otherwise agree, the portion of the Loan to be repaid, under the provisions of this Section, in any particular currency shall be repayable in such instalments, not inconsistent with the instalments set forth in Schedule 1 to this Agreement, as the Bank shall specify. Any premium payable under Section 1.07 on prepayment of any portion of the Loan, or under Section 3.16 on redemption of any Bond, shall be payable in the currency in which the principal of such portion of the Loan, or of such Bond, is repayable.

<sup>1</sup> See p. 244 of this volume.

*Section 1.07.* (a) The Borrower shall have the right, upon payment of all accrued charges for interest and payment of the premium specified in Schedule 1 to this Agreement, and upon not less than 45 day's notice to the Bank, to repay in advance of maturity (i) all of the principal amount of the Loan at the time outstanding or (ii) all of the principal amount of any one or more maturities, provided that on the date of such prepayment there shall not be outstanding any portion of the Loan maturing after the portion to be prepaid. However, if Bonds shall have been delivered pursuant to Article III in respect of any portion of the Loan to be prepaid, the terms and conditions of prepayment of that portion shall be those set forth in Section 3.16 and in such Bonds.

(b) It is the policy of the Bank to encourage the repayment of its loans prior to maturity. Accordingly, the Bank will sympathetically consider, in the light of all circumstances then existing, any request of the Borrower to waive the payment of any premium payable under paragraph (a) of this Section or under Section 3.16 on repayment of any portions of the Loan or the Bonds which the Bank has not sold or agreed to sell.

*Section 1.08.* The principal of, and interest and other charges on, the Loan and the Bonds shall be paid at such places as the Bank shall reasonably request, except that payments under any Bonds held by others than the Bank shall be made at the places specified in such Bonds.

*Section 1.09.* Any payment required under this Agreement to be made to the Bank in the currency of any country shall be made in such manner, and in currency acquired in such manner, as shall be permitted under the laws of such country for the purpose of making such payment and effecting the deposit of such currency to the account of the Bank with a depository of the Bank in such country.

*Section 1.10.* Whenever it shall be necessary for the purposes of this Agreement to determine the value of one currency in terms of another, such value shall be as reasonably determined by the Bank.

## Article II

### USE OF PROCEEDS OF LOAN

*Section 2.01.* Amounts of the Loan credited to the Loan Account pursuant to sub-paragraph (a) of Section 1.02 shall be withdrawn from the Loan Account only as provided in said sub-paragraph (a) and shall, subject to the provisions of Section 8.04 of the Fund Agreement, become available to the Borrower only as provided in the Fund Agreement. Such amounts, as they become available to the Borrower from the Fund, shall be used by the Borrower in accordance with the provisions of the Fund Agreement exclusively to finance the cost of goods required to construct the system

of works described in Annexure D to the Fund Agreement, such system of works together with any changes therein being hereinafter collectively called the Project.

*Section 2.02.* Amounts of the Loan credited to the Loan Account pursuant to sub-paragraph (b) of Section 1.02 shall be withdrawn from the Loan Account and applied by the Bank only for the purposes specified in said sub-paragraph (b).

### Article III

#### BONDS

*Section 3.01.* The Borrower shall execute and deliver Bonds representing the principal amount of each part of the Loan, as hereinafter in this Article provided.

*Section 3.02.* The payment of the principal of any Bonds shall *pro tanto* discharge the obligation of the Borrower to repay the principal of the part of the Loan represented by such Bonds ; and the payment of interest on any Bonds and of the service charge, if any, provided for in Section 3.04, shall *pro tanto* discharge the obligation of the Borrower to pay interest on the part of the Loan represented by such Bonds.

*Section 3.03.* If and as the Bank shall from time to time request, the Borrower shall, as soon as practicable and within such period not less than 60 days after the date of any request therefor as the Bank shall specify in such request, execute and deliver to or on the order of the Bank Bonds in the aggregate principal amount specified in such request, not exceeding, however, the aggregate principal amount of the Loan which shall have been withdrawn and shall be outstanding at the time of such request and for which Bonds shall not theretofore have been so delivered or requested.

*Section 3.04.* Each Bond shall bear interest at such rate or rates as the Bank shall request, not in excess, however, of the rate of interest on the part of the Loan represented by such Bond. If the rate of interest on any Bond shall be less than the rate of interest on the part of the Loan represented by such Bond, the Borrower shall, in addition to the interest payable on such Bond, pay to the Bank a service charge on the principal amount of such part of the Loan at a rate equal to the difference between the interest rate on such part of the Loan and the interest rate on such Bond. Such service charge shall be payable on the dates on which and in the currency in which such interest is payable.

*Section 3.05.* The Bonds shall be payable as to principal and interest in the several currencies in which the Loan is repayable. Each Bond delivered pursuant to any request under Section 3.03 shall be payable in such currency as the Bank shall specify in such request except that the aggregate principal amount of Bonds represen-

ting a part of the Loan and payable in any currency shall at no time exceed the outstanding amount of such part of the Loan repayable in such currency.

*Section 3.06.* The maturities of the Bonds shall correspond to the maturities of instalments of the principal amount of the Loan set forth in Schedule 1 to this Agreement. Bonds delivered pursuant to any request under Section 3.03 shall have such maturities as the Bank shall specify in such request except that the aggregate principal amount of Bonds of any maturity shall at no time exceed the corresponding instalment of the principal amount of the Loan.

*Section 3.07.* The Bonds shall be fully registered bonds without coupons (hereinafter sometimes called registered Bonds) or bearer bonds with coupons for semi-annual interest attached (hereinafter sometimes called coupon Bonds). Bonds delivered to the Bank shall be registered Bonds or coupon Bonds as the Bank shall request. Registered Bonds payable in dollars shall be substantially in the form set forth in Schedule 2<sup>1</sup> to this Agreement. Coupon Bonds payable in dollars and the coupons attached thereto shall be substantially in the forms set forth in Schedule 3<sup>2</sup> to this Agreement. Bonds payable in any currency other than dollars shall be substantially in the forms set forth in Schedule 2 or 3 to this Agreement, as the case may be, except that they shall (a) provide for payment of principal, interest and premium on redemption, if any, in such other currency, (b) provide for such place of payment as the Bank shall specify, and (c) contain such other modifications as the Bank shall reasonably request in order to conform to the laws or to the financial usage of the place where they are payable.

*Section 3.08.* Except as the Bank and the Borrower shall otherwise agree and subject to the provisions of Section 3.11 (c), the Bonds shall be either (a) printed or lithographed on an engraved base having an engraved border or (b) fully engraved in conformity with the requirements of the leading securities exchange in the country in whose currency such Bonds are payable.

*Section 3.09.* Each registered Bond shall be dated the semi-annual interest payment date on which or next preceding the date on which it shall be executed and delivered. Each coupon Bond shall be dated six months prior to the first semi-annual interest payment date after the Effective Date except as the Bank and the Borrower shall otherwise agree, and shall be delivered with all unmatured coupons attached. Upon any delivery of Bonds appropriate adjustment shall be made so that there shall be no loss to the Bank or to the Borrower in respect of commitment

<sup>1</sup> See p. 246 of this volume.

<sup>2</sup> See p. 252 of this volume.

charge or interest and service charge, if any, on the principal amount of the part of the Loan represented by such Bonds.

*Section 3.10.* The Borrower shall authorize the issuance of Bonds in such denominations as the Bank shall reasonably request. The Bonds delivered pursuant to any request under Section 3.08 shall be in such authorized denominations as the Bank shall specify in such request.

*Section 3.11.* The Borrower shall, as soon as practicable after the Bank shall so request, execute and deliver to or on the order of the Bank, in exchange for Bonds theretofore executed and delivered to it, new Bonds in accordance with the following provisions :

- (a) Bonds representing a part of the Loan and bearing interest at one rate may be exchanged for Bonds bearing interest at any other rate not in excess of the rate of interest on such part of the Loan. The Bank shall reimburse the Borrower for the reasonable cost of any such exchange.
- (b) Registered Bonds in large denominations may be exchanged without charge to the Bank for registered or coupon Bonds in smaller authorized denominations for purposes of sale by the Bank.
- (c) Bonds initially issued which are not fully engraved in accordance with the provisions of Section 3.08 (b) may be exchanged without charge to the Bank for such fully engraved Bonds.

The foregoing rights of exchange are in addition to any rights of exchange provided in the Bonds. Except as in this Section expressly provided, exchanges of Bonds pursuant to this Section shall be subject to all provisions of the Bonds relating to exchanges.

*Section 3.12.* The Bonds shall be signed in the name and on behalf of the Borrower by a Secretary to the Government of Pakistan, Ministry of Finance, or such person or persons as he shall appoint in writing for the purposes of this Section. The foregoing shall be in addition to any other designation by the Borrower for such purpose. The signature of any such representative may be a facsimile signature if the Bonds are also manually countersigned by an authorized representative of the Borrower. Coupons attached to coupon Bonds shall be authenticated by the facsimile signature of an authorized representative of the Borrower. If any authorized representative of the Borrower whose manual or facsimile signature shall be affixed to any Bond or coupon shall cease to be such authorized representative, such Bond or coupon may nevertheless be delivered, and shall be valid and binding on the Borrower, as

though the person whose manual or facsimile signature shall have been affixed to such Bond or coupon had not ceased to be such authorized representative.

*Section 3.13.* The Borrower shall maintain, or cause to be maintained, books for the registration and transfer of registered Bonds.

*Section 3.14.* The Borrower shall promptly furnish to the Bank such information and execute such applications and other documents as the Bank shall reasonably request in order to enable the Bank to sell any of the Bonds in any country, or to list any of the Bonds on any securities exchange, in compliance with applicable laws and regulations. To the extent necessary to comply with the requirements of any such exchange, the Borrower shall, if the Bank shall so request, appoint and maintain an agency for authentication of such Bonds.

*Section 3.15.* If the Bank shall sell any Bond and shall guarantee any payment thereunder, the Borrower shall reimburse the Bank for any amount paid by the Bank under such guarantee by reason of any failure of the Borrower to make payment in accordance with the terms of such Bond.

*Section 3.16.* (a) The Bonds shall be subject to redemption prior to their maturity by the Borrower in accordance with their terms, at a redemption price equal to the principal amount thereof plus the interest accrued and unpaid thereon to the date fixed for the redemption thereof plus as a premium the percentages of said principal amount specified in Schedule 1 to this Agreement.

(b) If any Bond so to be redeemed shall bear interest at a rate less than the rate of interest on the part of the Loan represented by such Bond, the Borrower shall pay to the Bank on the date fixed for redemption the service charge provided for in Section 3.04 accrued and unpaid to such date on the principal amount of such part of the Loan.

*Section 3.17.* No holder (other than the Bank) of any Bond shall, by virtue of being the holder thereof, be entitled to exercise any rights under this Agreement or be subject to any of the conditions or obligations imposed upon the Bank thereby. The provisions of this Section shall not impair or affect any rights or obligations under the terms of any Bond.

*Section 3.18.* At the request of the Bank the Borrower shall execute and deliver to the Bank promissory notes in lieu of Bonds. Each note shall be payable to the order of such payee or payees, and at such place within the country in which the note is payable, as the Bank shall specify, and shall be dated the interest payment date next preceding the date of its delivery. Such note shall be in such customary form as the Bank and the Borrower shall mutually agree upon in order to conform to the laws or financial usage of the place where it is payable. Except as otherwise expressly provided in this Section or where the context otherwise requires, references in this

Agreement to Bonds shall include any promissory notes executed and delivered under this Section.

#### Article IV

##### PARTICULAR COVENANTS

*Section 4.01.* The Borrower shall duly and punctually perform all obligations provided to be performed by it pursuant to the Fund Agreement.

*Section 4.02.* It is the mutual intention of the Borrower and the Bank that no other external debt shall enjoy any priority over the Loan by way of a lien on governmental assets. To that end, the Borrower undertakes that, except as the Bank shall otherwise agree, if any lien shall be created on any assets of the Borrower as security for any external debt, such lien will *ipso facto* equally and ratably secure the payment of the principal of, and interest and other charges on, the Loan and the Bonds, and that in the creation of any such lien express provision will be made to that effect, provided, however, that the foregoing provisions of this Section shall not apply to : (i) any lien created on property, at the time of purchase thereof, solely as security for the payment of the purchase price of such property ; (ii) any lien on commercial goods to secure a debt maturing not more than one year after the date on which it is originally incurred and to be paid out of the proceeds of sale of such commercial goods; or (iii) any lien arising in the ordinary course of banking transactions and securing a debt maturing not more than one year after its date.

The term "assets of the Borrower" as used in this Section includes assets of the Borrower or of any of its political subdivisions or of any agency of the Borrower or of any such political subdivision, including the State Bank of Pakistan.

*Section 4.03.* The principal of, and interest and other charges on, the Loan and the Bonds shall be paid without deduction for, and free from, any taxes (including duties, fees and impositions) imposed under the laws of the Borrower or laws in effect in its territories ; provided, however, that the provisions of this Section shall not apply to taxation of, or duties or fees or impositions levied upon, payments under any Bond to a holder thereof other than the Bank when such Bond is beneficially owned by an individual or corporate resident of the Borrower.

*Section 4.04.* This Agreement and the Bonds shall be free from any taxes (including duties, fees and impositions) that shall be imposed under the laws of the Borrower or laws in effect in its territories on or in connection with the execution, issue, delivery or registration thereof and the Borrower shall pay all such taxes (in-

cluding duties, fees and impositions), if any, imposed under the laws of the country or countries in whose currency the Loan and the Bonds are payable or laws in effect in the territories of such country or countries.

*Section 4.05.* The principal of, and interest and other charges on, the Loan and the Bonds shall be paid free from all restrictions imposed under the laws of the Borrower or laws in effect in its territories.

*Section 4.06.* (a) The Borrower and the Bank shall furnish to each other all such information as the other shall reasonably request with regard to the general status of the Loan. On the part of the Borrower such information shall include information with respect to financial and economic conditions in the territories of the Borrower and the international balance of payments position of the Borrower.

(b) The Borrower and the Bank shall from time to time exchange views through their representatives with regard to matters relating to the purposes of the Loan and the maintenance of the service thereof ; and the Borrower shall promptly inform the Bank of any condition which interferes with, or threatens to interfere with, the accomplishment of the purposes of the Loan or the maintenance of the service thereof.

(c) The Borrower shall maintain or cause to be maintained records adequate to disclose the use of the goods, to record the progress of the Project (including the cost thereof) and to reflect in accordance with consistently maintained sound accounting practices the operations and financial condition of the agency or agencies of the Borrower responsible for the construction or operation of the Project or any part thereof ; shall enable the Bank's (and the Administrator's) representatives to inspect the Project, the operation thereof, the goods used or acquired for the Project and any relevant records and documents ; and shall furnish to the Bank all such information as the Bank shall reasonably request concerning the expenditure of the monies disbursed by the Fund, the Project, the goods, and the operations and financial condition of the agency or agencies of the Borrower responsible for the construction or operation of the Project or any part thereof ; provided, however, that, until the termination for any reason of the Fund Agreement, compliance by the Borrower with the requirements of Section 7.03 (b) of the Fund Agreement shall, to the extent thereof, be deemed compliance with the provisions of this Section 4.06 (c).

(d) The Borrower shall afford all reasonable opportunity for accredited representatives of the Bank (and the Administrator) to visit any part of the territories of the Borrower for purposes related to the Loan and the Fund Agreement.

*Article V*

## CANCELLATION AND SUSPENSION ; REMEDIES OF THE BANK

*Section 5.01.* The Borrower may by notice to the Bank cancel all or any portion of the Loan which shall not have been withdrawn from the Loan Account prior to the giving of such notice.

*Section 5.02.* If any of the following events shall have happened and be continuing, the Bank may by notice to the Borrower and the Administrator suspend in whole or in part withdrawals from the Loan Account :

- (a) A default shall have occurred in the payment of principal or interest or any other payment required under this Agreement or the Bonds.
- (b) A default shall have occurred in the payment of principal or interest or any other payment required under any other loan agreement or under any guarantee agreement between the Borrower and the Bank.
- (c) A default shall have occurred in the performance of any other covenant or agreement on the part of the Borrower under this Agreement or the Bonds.
- (d) An extraordinary situation shall have arisen which shall make it improbable that the Borrower will be able to perform its obligations under this Agreement or the Fund Agreement.
- (e) The Borrower shall have been suspended from membership in or ceased to be a member of the Bank.
- (f) The Borrower shall have ceased to be a member of the International Monetary Fund or shall have become ineligible to use the resources of said Fund under Section 6 of Article IV of the Articles of Agreement of said Fund<sup>1</sup> or shall have been declared ineligible to use said resources under Section 5 of Article V, Section 1 of Article VI or Section 2 (a) of Article XV of the Articles of Agreement of said Fund.
- (g) After the date of this Agreement and prior to the Effective Date any action shall have been taken which would have constituted a violation of any covenant contained in this Agreement if this Agreement and the Fund Agreement had been effective and in force on the date such action was taken.

Withdrawals from the Loan Account shall continue to be suspended in whole or in part, as the case may be, until the event or events which gave rise to such suspension shall have ceased to exist or until the Bank shall have notified the Borrower that such suspension has been removed, whichever is the earlier ; provided, however, that in the case of any such notice of removal of a suspension, the suspension shall be

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<sup>1</sup> United Nations, *Treaty Series*, Vol. 2, p. 40 ; Vol. 19, p. 280 ; Vol. 141, p. 355 ; Vol. 199, p. 308 ; Vol. 260, p. 432 ; Vol. 287, p. 260 ; Vol. 303, p. 284 ; Vol. 316, p. 269 ; Vol. 406, p. 282, and Vol. 426, p. 334.

removed only to the extent and subject to the conditions specified in such notice, and no such notice shall affect or impair any right, power or remedy of the Bank in respect of any other or subsequent event described in this Section.

*Section 5.03.* (a) If any of the events described in Section 5.02 shall have happened and be continuing, the Bank may by notice to the Borrower terminate in whole or in part withdrawals from the Loan Account. Upon the giving of such notice the unwithdrawn amount of the Loan in respect of which such notice shall have been given shall be cancelled.

(b) If the full amount of the Loan shall not have been withdrawn from the Loan Account by September 30, 1973, or such other date as shall be agreed upon between the Borrower and the Bank, the Bank may by notice to the Borrower terminate withdrawals from the Loan Account. Upon the giving of such notice the unwithdrawn amount of the Loan shall be cancelled.

*Section 5.04.* Except as otherwise agreed between the Bank and the Borrower, any cancellation pursuant to this Article, and any amounts received from the Fund pursuant to Section 11.02 (a) of the Fund Agreement, shall be applied *pro rata* to, or to the payment of, the several maturities of the principal amount of the Loan as set forth in Schedule 1 to this Agreement, except that no such cancellation or amount shall be applied to, or to the payment of, Bonds theretofore delivered or requested pursuant to Article III, or to Bonds or portions of the Loan which the Bank has theretofore sold or agreed to sell.

*Section 5.05.* Notwithstanding any cancellation or suspension pursuant to this Article, all the provisions of this Agreement shall continue in full force and effect except as in this Article specifically provided.

*Section 5.06.* (i) If any event specified in paragraph (a) or paragraph (b) of Section 5.02 shall occur and shall continue for a period of thirty days, or (ii) if any event specified in paragraph (c) of Section 5.02 shall occur and shall continue for a period of sixty days after notice thereof shall have been given by the Bank to the Borrower, then at any subsequent time during the continuance thereof, the Bank, at its option, may declare the principal of the Loan and of all the Bonds then outstanding to be due and payable immediately, and upon any such declaration such principal shall become due and payable immediately, anything in this Agreement or in the Bonds to the contrary notwithstanding.

#### Article VI

##### ENFORCEABILITY ; FAILURE TO EXERCISE RIGHTS ; ARBITRATION

*Section 6.01.* The rights and obligations of the Bank and the Borrower under this Agreement and the Bonds shall be valid and enforceable in accordance with their

terms notwithstanding the law of any state, or political subdivision thereof, to the contrary. Neither the Bank nor the Borrower shall be entitled in any proceeding under this Article to assert any claim that any provision of this Agreement or the Bonds is invalid or unenforceable because of any provision of the Articles of Agreement of the Bank<sup>1</sup> or for any other reason.

*Section 6.02.* No delay in exercising, or omission to exercise, any right, power or remedy accruing to either party under this Agreement upon any default shall impair any such right, power or remedy or be construed to be a waiver thereof or an acquiescence in such default; nor shall the action of such party in respect of any default, or any acquiescence in any default, affect or impair any right, power or remedy of such party in respect of any other or subsequent default.

*Section 6.03.* (a) Any controversy between the parties to this Agreement and any claim by either such party against the other arising under this Agreement or the Bonds which shall not be determined by agreement of the parties shall be submitted to arbitration by an Arbitral Tribunal as hereinafter provided.

(b) The parties to such arbitration shall be the Bank and the Borrower.

(c) The Arbitral Tribunal shall consist of three arbitrators appointed as follows: one arbitrator shall be appointed by the Bank; a second arbitrator shall be appointed by the Borrower; and the third arbitrator (hereinafter sometimes called the Umpire) shall be appointed by agreement of the parties or, if they shall not agree, by the President of the International Court of Justice or, failing appointment by him, by the Secretary-General of the United Nations. If either of the parties shall fail to appoint an arbitrator, such arbitrator shall be appointed by the Umpire. In case any arbitrator appointed in accordance with this Section shall resign, die or become unable to act, a successor arbitrator shall be appointed in the same manner as herein prescribed for the appointment of the original arbitrator and such successor shall have all the powers and duties of such original arbitrator.

(d) An arbitration proceeding may be instituted under this Section upon notice by the party instituting such proceeding to the other party. Such notice shall contain a statement setting forth the nature of the controversy or claim to be submitted to arbitration, the nature of the relief sought, and the name of the arbitrator appointed by the party instituting such proceeding. Within 30 days after the giving of such notice, the adverse party shall notify the party instituting the proceeding of the name of the arbitrator appointed by such adverse party.

<sup>1</sup> United Nations, *Treaty Series*, Vol. 2, p. 134; Vol. 19, p. 300; Vol. 141, p. 356; Vol. 199, p. 309; Vol. 260, p. 433; Vol. 287, p. 261; Vol. 303, p. 285; Vol. 316, p. 270; Vol. 406, p. 283, and Vol. 426, p. 335.

(e) If, within 60 days after the giving of such notice instituting the arbitration proceeding, the parties shall not have agreed upon an Umpire, either party may request the appointment of an Umpire as provided in paragraph (c) of this Section.

(f) The Arbitral Tribunal shall convene at such time and place as shall be fixed by the Umpire. Thereafter, the Arbitral Tribunal shall determine where and when it shall sit.

(g) Subject to the provisions of this Section and except as the parties shall otherwise agree, the Arbitral Tribunal shall decide all questions relating to its competence and shall determine its procedure. All decisions of the Arbitral Tribunal shall be by majority vote.

(h) The Arbitral Tribunal shall afford to both parties a fair hearing and shall render its award in writing. Such award may be rendered by default. An award signed by a majority of the Arbitral Tribunal shall constitute the award of such Tribunal. A signed counterpart of the award shall be transmitted to each party. Any such award rendered in accordance with the provisions of this Section shall be final and binding upon the parties to this Agreement. Each party shall abide by and comply with any such award rendered by the Arbitral Tribunal in accordance with the provisions of this Section.

(i) The parties shall fix the amount of the remuneration of the arbitrators and such other persons as shall be required for the conduct of the arbitration proceedings. If the parties shall not agree on such amount before the Arbitral Tribunal shall convene, the Arbitral Tribunal shall fix such amount as shall be reasonable under the circumstances. Each party shall defray its own expenses in the arbitration proceedings. The costs of the Arbitral Tribunal shall be divided and borne equally by the parties. Any question concerning the division of the costs of the Arbitral Tribunal or the procedure for payment of such costs shall be determined by the Arbitral Tribunal.

(j) The provisions for arbitration set forth in this Section shall be in lieu of any other procedure for the determination of controversies between the parties to this Agreement and any claim by either party against the other party arising thereunder or under the Bonds.

(k) The Bank shall not be entitled to enter judgment against the Borrower upon the award, to enforce the award against the Borrower by execution or to pursue any other remedy against the Borrower for the enforcement of the award, except as such procedure may be available against the Borrower otherwise than by reason of the provisions of this Section. If, within 30 days after counterparts of the award shall be delivered to the parties, the award shall not be complied with by the Bank, the Borrower may take any such action for the enforcement of the award against the Bank.

(l) Service of any notice or process in connection with any proceeding under this Section or (to the extent that such remedy shall be available) in connection with any

proceeding to enforce any award rendered pursuant to this Section may be made in the manner provided in Section 7.01. The parties to this Agreement waive any and all other requirements for the service of any such notice or process.

### *Article VII*

#### MISCELLANEOUS PROVISIONS

*Section 7.01.* Any notice or request required or permitted to be given or made under this Agreement and any agreement between the parties contemplated by this Agreement shall be in writing. Such notice or request shall be deemed to have been duly given or made when it shall be delivered by hand or by mail, telegram, cable or radiogram to the party to which it is required or permitted to be given or made at such party's address specified in Section 7.05, or at such other address as such party shall have designated by notice to the party giving such notice or making such request.

*Section 7.02.* Any action required or permitted to be taken, and any documents required or permitted to be executed, under this Agreement on behalf of the Borrower may be taken or executed by a Secretary to the Government of Pakistan, Ministry of Finance, who is hereby designated as the representative of the Borrower for the purposes of this Section, and such designation shall be in addition to any other designation which may be made for any of the acts referred to in this Section. Any modification or amplification of the provisions of this Agreement may be agreed to on behalf of the Borrower by written instrument executed on behalf of the Borrower by the representative so designated or any person thereunto authorized in writing by him ; provided that, in the opinion of such representative or other person, such modification or amplification is reasonable in the circumstances and will not substantially increase the obligations of the Borrower under this Agreement. The Bank may accept the execution by such representative or other person of any such instrument as conclusive evidence that in the opinion of such representative any modification or amplification of the provisions of this Agreement effected by such instrument is reasonable in the circumstances and will not substantially increase the obligations of the Borrower thereunder.

*Section 7.03.* The Borrower shall furnish to the Bank sufficient evidence of the authority of the person or persons who will, on behalf of the Borrower, take any action or execute any documents required or permitted to be taken or executed by the Borrower under this Agreement, and the authenticated specimen signature of each such person.

*Section 7.04.* This Agreement may be executed in several counterparts, each of which shall be an original. All such counterparts shall collectively be but one instrument.

*Section 7.05.* The following addresses are specified for the purposes of Section 7.01 :

For the Borrower :

The Secretary to the Government of Pakistan  
Ministry of Finance  
Rawalpindi, Pakistan

Alternative address for cablegrams and radiograms :

Finpak,  
Rawalpindi

For the Bank :

International Bank for Reconstruction and Development  
1818 H Street, N.W.  
Washington 25, D. C.  
United States of America

Alternative address for cablegrams and radiograms :

Intbafrad  
Washington, D. C.

### *Article VIII*

#### EFFECTIVE DATE ; TERMINATION

*Section 8.01.* This Agreement shall not become effective until evidence satisfactory to the Bank shall have been furnished to the Bank that

- (a) the execution and delivery of this Agreement on behalf of the Borrower have been duly authorized or ratified by all necessary governmental action ; and
- (b) the Treaty shall have entered into force pursuant to its terms.

*Section 8.02.* As part of the evidence to be furnished pursuant to Section 8.01, the Borrower shall furnish to the Bank an opinion or opinions satisfactory to the Bank of counsel acceptable to the Bank showing :

- (a) that this Agreement has been duly authorized or ratified by, and executed and delivered on behalf of, the Borrower and constitutes a valid and binding obligation of the Borrower in accordance with its terms ; and

- (b) that the Bonds when executed and delivered in accordance with this Agreement will constitute valid and binding obligations of the Borrower in accordance with their terms and that, except as stated in such opinion, no further signatures or formalities are required for that purpose.

*Section 8.03.* This Agreement shall come into force and effect on the date when the Bank dispatches to the Borrower notice of its acceptance of the evidence required by Section 8.01.

*Section 8.04.* If all acts required to be performed pursuant to Section 8.01 shall not have been performed before a date sixty days after the date of this Agreement or such other date as shall be agreed upon by the Bank and the Borrower, the Bank may at any time thereafter at its option terminate this Agreement by notice to the Borrower. Upon the giving of such notice this Agreement and all obligations of the parties hereunder shall forthwith terminate.

*Section 8.05.* If and when the entire principal amount of the Loan and the Bonds and the premium, if any, on the prepayment of the Loan and on the redemption of all Bonds called for redemption (as the case may be) and all interest and other charges which shall have accrued on the Loan and the Bonds shall have been paid, this Agreement and all obligations of the parties hereunder shall forthwith terminate.

## Article IX

### DEFINITIONS

*Section 9.01.* Except where the context otherwise requires, the following terms have the following meanings wherever used in this Agreement or any Schedule hereto :

1. The term "this Agreement" means this Agreement, as amended from time to time ; and such term includes all agreements supplemental to this Agreement and all schedules hereto with the same force and effect as if they were fully set forth herein.

2. The term "part of the Loan" means part of the Loan as credited to the Loan Account pursuant to Section 1.02, provided that for the purposes of Section 1.06 (a) and Article III parts of the Loan bearing interest at the same rate shall be deemed to be one such part.

3. The term "currency" means such coin or currency as at the time referred to is legal tender for the payment of public and private debts in the territories of the government referred to. Whenever reference is made to the currency of the Borrower, the term "currency" includes the currencies of all colonies and territories on whose behalf at the time referred to the Borrower has accepted membership in the Bank.

4. The term "dollars" and the sign "\$" mean dollars in currency of the United States of America.

5. The term "Bonds" means bonds executed and delivered by the Borrower pursuant to this Agreement ; and such term includes any such bonds issued in exchange for, or on transfer of, Bonds as herein defined.

6. The term "Loan Account" means the account on the books of the Bank to which the amount of each part of the Loan is to be credited as provided in Section 1.02.

7. The term "goods" means equipment, supplies, other property and services which are required for the Project. Wherever reference is made to the cost of any goods, such cost shall be deemed to include the cost of importing such goods into the territories of the Borrower.

8. The term "external debt" means any debt payable in any medium other than currency of the Borrower, whether such debt is or may become payable absolutely or at the option of the creditor in such other medium.

9. The term "Effective Date" means the date on which this Agreement shall come into force and effect as provided in Section 8.03.

10. The term "lien" shall include mortgages, pledges, charges, privileges and priorities of any kind.

11. The term "assets" shall include revenues and property of any kind.

12. The terms "tax" and "taxes" shall include imposts, duties and levies of any kind, whether in effect at the date of this Agreement or thereafter imposed.

13. Wherever reference is made to the incurring of debt such reference shall include the assumption and guarantee of debt.

Unless otherwise specified references in this Agreement to Articles or Sections are to Articles or Sections of this Agreement.

IN WITNESS WHEREOF, the parties hereto, acting through their representatives thereunto duly authorized, have caused this Loan Agreement to be signed in their respective names and delivered in Karachi as of the day and year first above written.

Republic of Pakistan :

By M. SHOAI B

Authorized Representative

International Bank for Reconstruction and Development :

By W. A. B. ILIFF

Vice-President

## SCHEDULE 1

## AMORTIZATION SCHEDULE

<i>Date Payment Due</i>	<i>Payment of Principal (Expressed in dollars)*</i>	<i>Date Payment Due</i>	<i>Payment of Principal (Expressed in dollars)*</i>
October 1, 1970 . . . . .	\$1,194,000	October 1, 1980 . . . . .	\$2,156,000
April 1, 1971 . . . . .	1,230,000	April 1, 1981 . . . . .	2,221,000
October 1, 1971 . . . . .	1,266,000	October 1, 1981 . . . . .	2,287,000
April 1, 1972 . . . . .	1,304,000	April 1, 1982 . . . . .	2,356,000
October 1, 1972 . . . . .	1,343,000	October 1, 1982 . . . . .	2,426,000
April 1, 1973 . . . . .	1,384,000	April 1, 1983 . . . . .	2,499,000
October 1, 1973 . . . . .	1,425,000	October 1, 1983 . . . . .	2,574,000
April 1, 1974 . . . . .	1,468,000	April 1, 1984 . . . . .	2,651,000
October 1, 1974 . . . . .	1,512,000	October 1, 1984 . . . . .	2,731,000
April 1, 1975 . . . . .	1,557,000	April 1, 1985 . . . . .	2,813,000
October 1, 1975 . . . . .	1,604,000	October 1, 1985 . . . . .	2,897,000
April 1, 1976 . . . . .	1,652,000	April 1, 1986 . . . . .	2,984,000
October 1, 1976 . . . . .	1,702,000	October 1, 1986 . . . . .	3,074,000
April 1, 1977 . . . . .	1,753,000	April 1, 1987 . . . . .	3,166,000
October 1, 1977 . . . . .	1,805,000	October 1, 1987 . . . . .	3,261,000
April 1, 1978 . . . . .	1,860,000	April 1, 1988 . . . . .	3,359,000
October 1, 1978 . . . . .	1,915,000	October 1, 1988 . . . . .	3,460,000
April 1, 1979 . . . . .	1,973,000	April 1, 1989 . . . . .	3,563,000
October 1, 1979 . . . . .	2,032,000	October 1, 1989 . . . . .	3,670,000
April 1, 1980 . . . . .	2,093,000	April 1, 1990 . . . . .	3,780,000

\* To the extent that any part of the Loan is repayable in a currency other than dollars (see Section 1.06 (b)), the figures in this column represent dollar equivalents determined as for purposes of withdrawal.

## PREMIUMS ON PREPAYMENT AND REDEMPTION

The following percentages are specified as the premiums payable on repayment in advance of maturity of any part of the principal amount of the Loan pursuant to Section 1.07 or on the redemption of any Bond prior to its maturity pursuant to Section 3.16 :

<i>Time of Prepayment or Redemption</i>	<i>Premium</i>
Not more than three years before maturity . . . . .	1/2%
More than three years but not more than six years before maturity . . . . .	1%
More than six years but not more than eleven years before maturity . . . . .	2%
More than eleven years but not more than sixteen years before maturity . . . . .	3%
More than sixteen years but not more than twenty-one years before maturity . . . . .	4%
More than twenty-one years but not more than twenty-six years before maturity . . . . .	5%
More than twenty-six years before maturity . . . . .	6%

## SCHEDULE 2

## FORM OF REGISTERED BOND WITHOUT COUPONS PAYABLE IN DOLLARS

\$ 000  
No. 000

\$ 000  
No. 000

[NAME OF BORROWER]

Serial Bond due.....

[NAME OF BORROWER] (hereinafter called [the Borrower]), for value received, hereby promises to pay to ....., or registered assigns, on the ..... day of ....., 19....., at the office or agency of [the Borrower] in the Borough of Manhattan, in The City of New York, the sum of ..... DOLLARS in such coin or currency of the United States of America as at the time of payment is legal tender for public and private debts, and to pay interest thereon from the date hereof at said office or agency in like coin or currency at the rate of ..... per. centum (.....%) per annum, payable semi-annually on ..... and ..... until payment of said principal sum has been made or duly provided for.

This Bond is one of an authorized issue of bonds of the aggregate principal amount of ..... (or the equivalent thereof payable in other currencies), known as the Serial Bonds of [the Borrower] (hereinafter called the Bonds), issued or to be issued under a Loan Agreement dated ..... between [the Borrower] and International Bank for Reconstruction and Development (hereinafter called the Bank). No reference herein to the Loan Agreement shall confer upon the holder hereof any rights thereunder or impair the obligation of [the Borrower], which is absolute and unconditional, to pay the principal and interest on this Bond at the times and place and in the amounts and in the currency herein prescribed.

This Bond is transferable by the registered holder hereof, or by his attorney duly authorized in writing, at said office or agency of [the Borrower] in the Borough of Manhattan, upon payment, if [the Borrower] shall so require, of a charge calculated to reimburse [the Borrower] for the cost of the transfer and upon surrender of this Bond for cancellation, duly endorsed or accompanied by a proper instrument or instruments of assignment and transfer. Upon any such transfer a new fully registered Bond or Bonds, without coupons, of authorized denominations, of the same maturity and in the same aggregate principal amount, will be issued to the transferee in exchange for this Bond.

Upon payment, if [the Borrower] shall so require, of a charge calculated to reimburse [the Borrower] for the cost of the exchange (1) bearer Bonds with interest coupons attached (hereinafter called coupon Bonds) of any maturity, together with all unmatured coupons thereto appertaining, may be exchanged upon presentation and surrender thereof at said office or agency in the Borough of Manhattan for coupon Bonds of other authorized denominations with all unmatured coupons thereto appertaining, or for fully registered Bonds without coupons (hereinafter called registered Bonds) of any authorized denominations, or

both, of the same maturity and in the same aggregate principal amount ; and (2) registered Bonds of any maturity may be exchanged upon presentation and surrender at said office or agency, duly endorsed or accompanied by a proper instrument or instruments of assignment and transfer, for registered Bonds of other authorized denominations or for coupon Bonds of any authorized denominations with all unmatured coupons thereto appertaining, or both, of the same maturity and in the same aggregate principal amount.

[The Borrower] shall not be required to make transfers or exchanges of any Bonds for a period of ten days next preceding any interest payment date thereof or of any Bonds called for redemption.

The Bonds are subject to redemption at the election of [the Borrower], as hereinafter provided, at a redemption price for each Bond equal to the principal amount thereof, plus the interest accrued and unpaid thereon to the date fixed for the redemption thereof, plus as a premium the following respective percentages of such principal amount : [insert percentages set forth in Schedule 1 to the Loan Agreement]. All the Bonds at the time outstanding may be so redeemed at any time. All the Bonds at the time outstanding of any one or more maturities may be so redeemed at any time, provided that, at the date fixed for the redemption of such Bonds, there shall not be outstanding any Bonds maturing after the Bonds to be redeemed. If [the Borrower] shall elect to redeem Bonds it shall give notice of intention to redeem all the Bonds, or all the Bonds of one or more designated maturities as hereinabove provided, as the case may be. Such notice shall designate the redemption date and shall state the redemption price or prices, determined as hereinbefore provided. Such notice shall be given by publication two daily newspapers printed in the English language and published and of general circulation in said Borough of Manhattan at least once a week for three successive weeks, the first publication to be not less than 45 nor more than 60 days prior to said redemption date. Notice of election to redeem having been given as above provided, the Bonds so called for redemption shall become due and payable on said redemption date at their redemption price or prices, and upon presentation and surrender thereof on or after such date at said office or agency in said Borough of Manhattan, together with any appurtenant coupons maturing after said redemption date, shall be paid at the redemption price or prices aforesaid. All unpaid interest instalments represented by coupons which shall have matured on or prior to said redemption date shall continue to be payable to the bearers of such coupons severally and respectively, and the redemption price payable to the holders of coupon Bonds presented for redemption shall not include such unpaid instalments of interest unless coupons representing such instalments shall accompany the Bonds presented for redemption. From and after said redemption date, if payment is made or duly provided for pursuant thereto, the Bonds so called for redemption shall cease to bear interest and any appurtenant coupons maturing after said redemption date shall be void.

In certain events provided in said Loan Agreement, the Bank, at its option, may declare the principal of all the Bonds then outstanding (if not already due) to be due and

payable immediately, and upon any such declaration such principal shall be due and payable immediately.

The principal of the Bonds, the interest accruing thereon and the premium, if any, on the redemption thereof shall be paid without deduction for and free from any taxes, imposts, levies or duties of any nature or any restrictions now or at any time hereafter imposed under the laws of [the Borrower] or laws in effect in its territories; *provided, however, that the provisions of this paragraph shall not apply to the taxation of payments made under the provisions of any Bond to a holder thereof other than the Bank when such Bond is beneficially owned by an individual or corporate resident of [the Borrower].*

*[The Borrower] may deem and treat the bearer of any coupon Bond, and the bearer of any coupon for interest on any Bond, and the registered owner of any registered Bond, as the absolute owner thereof for all purposes whatsoever notwithstanding any notice to the contrary; and all payments to such bearer or to or on the order of such registered owner, as the case may be, shall be valid and effectual to discharge the liability of [the Borrower] upon such coupon Bond, such coupon or such registered Bond to the extent of the sum or sums so paid.*

*This Bond shall not be valid or become obligatory for any purpose until it shall have been [insert appropriate reference to authentication, signature or attestation].*

IN WITNESS WHEREOF [the Borrower] has caused this Bond to be signed in its name by [here insert reference to official or officials signing Bonds, to countersignatures, attestation and seal, if used, and, if any signature is a facsimile signature, make reference thereto].

[Signature, attestation, authentication,  
as may be appropriate]

Dated

NOTE : Italicized provisions may be omitted if Borrower desires.

FORM OF ASSIGNMENT AND TRANSFER

FOR VALUE RECEIVED

hereby sell, assign and transfer unto

the within Bond issued by [NAME OF BORROWER] and hereby irrevocably authorize said [Borrower] to transfer said Bond on its books.

.....

Dated

Witness :

SCHEDULE 3

FORM OF COUPON BOND PAYABLE IN DOLLARS

\$ 000  
No. 000

\$ 000  
No. 000

[NAME OF BORROWER]

Serial Bond due .....

[NAME OF BORROWER] (hereinafter called [the Borrower]), for value received, hereby promises to pay to the bearer hereof, on the ..... day of ....., 19....., at the office or agency of [the Borrower] in the Borough of Manhattan, in The City of New York, the sum of ..... DOLLARS in such coin or currency of the United States of America as at the time of payment is legal tender for public and private debts, and to pay interest thereon from the date hereof at said office or agency in like coin or currency at the rate of ..... per centum (.....%) per annum, payable semi-annually on ..... and ..... until payment of said principal sum has been made or duly provided for, but until the maturity hereof only upon presentation and surrender of the coupons hereto attached as they severally mature.

This Bond is one of an authorized issue of bonds of the aggregate principal amount of ..... (or the equivalent thereof payable in other currencies), known as the Serial Bonds of [the Borrower] (hereinafter called the Bonds), issued or to be issued under a Loan Agreement dated ..... between [the Borrower] and International Bank for Reconstruction and Development (hereinafter called the Bank). No reference herein to the Loan Agreement shall confer upon the holder hereof any rights thereunder or impair the obligation of [the Borrower], which is absolute and unconditional, to pay the principal and interest on this Bond at the times and place and in the amounts and in the currency herein prescribed.

Upon payment, if [the Borrower] shall so require, of a charge calculated to reimburse [the Borrower] for the cost of the exchange (1) bearer Bonds with interest coupons attached (hereinafter called coupon Bonds) of any maturity, together with all unmatured coupons thereto appertaining, may be exchanged upon presentation and surrender thereof at said office or agency in the Borough of Manhattan for coupon Bonds of other authorized denominations with all unmatured coupons thereto appertaining, or for fully registered Bonds without coupons (hereinafter called registered Bonds) of any authorized denominations, or both, of the same maturity and in the same aggregate principal amount ; and (2) registered Bonds of any maturity may be exchanged upon presentation and surrender at said office or agency, duly endorsed or accompanied by a proper instrument or instruments of assignment and transfer, for registered Bonds of other authorized denominations or for coupon Bonds of any authorized denominations with all unmatured coupons thereto appertaining, or both, of the same maturity and in the same aggregate principal amount.

[The Borrower] shall not be required to make transfers or exchanges of any Bonds for a period of ten days next preceding any interest payment date thereof or of any Bonds called for redemption.

The Bonds are subject to redemption at the election of [the Borrower], as hereinafter provided, at a redemption price for each Bond equal to the principal amount thereof, plus the interest accrued and unpaid thereon to the date fixed for the redemption thereof, plus as a premium the following respective percentages of such principal amount: [insert percentages set forth in Schedule 1 to the Loan Agreement]. All the Bonds at the time outstanding may be so redeemed at any time. All the Bonds at the time outstanding of any one or more maturities may be so redeemed at any time, provided that, at the date fixed for the redemption of such Bonds, there shall not be outstanding any Bonds maturing after the Bonds to be redeemed. If [the Borrower] shall elect to redeem Bonds it shall give notice of intention to redeem all the Bonds, or all the Bonds of one or more designated maturities as hereinabove provided, as the case may be. Such notice shall designate the redemption date and shall state the redemption price or prices, determined as hereinbefore provided. Such notice shall be given by publication in two daily newspapers printed in the English language and published and of general circulation in said Borough of Manhattan at least once a week for three successive weeks, the first publication to be not less than 45 nor more than 60 days prior to said redemption date. Notice of election to redeem having been given as above provided, the Bonds so called for redemption shall become due and payable on said redemption date at their redemption price or prices, and upon presentation and surrender thereof on or after such date at said office or agency in said Borough of Manhattan, together with any appurtenant coupons maturing after said redemption date, shall be paid at the redemption price or prices aforesaid. All unpaid interest instalments represented by coupons which shall have matured on or prior to said redemption date shall continue to be payable to the bearers of such coupons severally and respectively, and the redemption price payable to the holders of coupon Bonds presented for redemption shall not include such unpaid instalments of interest unless coupons representing such instalments shall accompany the Bonds presented for redemption. From and after said redemption date, if payment is made or duly provided for pursuant thereto, the Bonds so called for redemption shall cease to bear interest and any appurtenant coupons maturing after said redemption date shall be void.

In certain events provided in said Loan Agreement, the Bank, at its option, may declare the principal of all the Bonds then outstanding (if not already due) to be due and payable immediately, and upon any such declaration such principal shall be due and payable immediately.

The principal of the Bonds, the interest accruing thereon and the premium, if any, on the redemption thereof shall be paid without deduction for and free from any taxes, imposts, levies or duties of any nature or any restrictions now or at any time hereafter imposed under the laws of [the Borrower] or laws in effect in its territories; *provided, however, that the provisions of this paragraph shall not apply to the taxation of payments made under*

*the provisions of any Bond to a holder thereof other than the Bank when such Bond is beneficially owned by an individual or corporate resident of [the Borrower].*

*[The Borrower] may deem and treat the bearer of any coupon Bond, and the bearer of any coupon for interest on any Bond, and the registered owner of any registered Bond, as the absolute owner thereof for all purposes whatsoever notwithstanding any notice to the contrary; and all payments to such bearer or to or on the order of such registered owner, as the case may be, shall be valid and effectual to discharge the liability of [the Borrower] upon such coupon Bond, such coupon or such registered Bond to the extent of the sum or sums so paid.*

*This Bond shall not be valid or become obligatory for any purpose until it shall have been [insert appropriate reference to authentication, signature or attestation].*

IN WITNESS WHEREOF [the Borrower] has caused this Bond to be signed in its name by [here insert reference to official or officials signing Bonds, to countersignatures, attestation and seal, if used, and, if any signature is a facsimile signature, make reference thereto] and the coupons for said interest bearing the facsimile signature of its [insert title or name of official] to be attached hereto.

[Signature, attestation, authentication,  
as may be appropriate]

Dated

NOTE : Italicized provisions may be omitted if Borrower desires.

#### FORM OF COUPON

On the ..... day of ....., 19....., unless the Bond mentioned below shall have been called for previous redemption and payment duly provided therefor, [NAME OF BORROWER] will pay to bearer, upon surrender of this coupon, at the office or agency of said [BORROWER] in the Borough of Manhattan in The City of New York ..... dollars in such coin or currency of the United States of America as at the time of payment is legal tender for public and private debts, being six months' interest then due on its Serial Bond, No. .... due .....

[facsimile signature]