

No. 11417

MULTILATERAL

Agreement concerning the establishment of an International Investment Bank (with charter). Done at Moscow on 10 July 1970

Authentic text: Russian.

Registered by the Secretariat of the Council for Mutual Economic Assistance, acting on behalf of the Parties, on 1 December 1971.

MULTILATÉRAL

Accord relatif à la création d'une Banque internationale d'investissement (avec statuts). Signé à Moscou le 10 juillet 1970

Texte authentique: russe.

Enregistré par le Secrétariat du Conseil d'entraide économique, agissant au nom des parties, le 1^{er} décembre 1971.

[TRANSLATION — TRADUCTION]

AGREEMENT¹ CONCERNING THE ESTABLISHMENT OF AN INTERNATIONAL INVESTMENT BANK

The Governments of the People's Republic of Bulgaria, the Hungarian People's Republic, the German Democratic Republic, the Mongolian People's Republic, the Polish People's Republic, the Union of Soviet Socialist Republics and the Czechoslovak Socialist Republic,

In the interests of developing the economies of the Contracting Parties,
Have agreed as follows:

Article I

There shall be founded an International Investment Bank, hereinafter referred to as "the Bank".

The founder-members of the Bank shall be the Contracting Parties.

Other countries may also be admitted to the Bank. The procedure for the admission of other countries to the Bank shall be established by article XXIII of this Agreement.

The activities of the Bank shall be conducted in conformity with the principles of full equality of rights of member countries and respect for their sovereignty.

The head office of the Bank shall be in Moscow.

The Bank shall be established and shall carry on its activities in accordance with the following provisions.

¹ Came into force provisionally on 1 January 1971, and definitively on 5 February 1971, the date when the last of the signatories had deposited its instrument of ratification with the Secretary of the Council for Mutual Economic Assistance, in accordance with article XXV. Instruments of ratification were deposited as follows:

<i>State</i>	<i>Date of deposit</i>	<i>State</i>	<i>Date of deposit</i>
Bulgaria	7 October 1970	Mongolia	17 November 1970
Czechoslovakia	16 December 1970	Poland	5 February 1971
German Democratic Republic	11 December 1970	Union of Soviet Socialist Republics	13 October 1970
Hungary	19 January 1971		

Article II

The basic function of the Bank shall be the provision of long-term and medium-term credits primarily for the implementation of measures relating to the international socialist division of labour, specialization and co-operation in production, expenditure for the broadening of the raw materials and fuels base in the common interest and the building of projects in other branches of the economy which are in the common interest with a view to the development of the economy of the countries members of the Bank, and for the building of projects to further the development of the national economies of those countries and for other purposes established by the Council of the Bank and compatible with its functions.

In its activities the Bank shall be guided by the necessity of ensuring the effective utilization of its resources, guaranteeing solvency with respect to its liabilities and strict responsibility for the repayment of credits which it provides.

Projects financed by credits from the Bank must meet the highest scientific and technical standards and be capable of producing high-quality goods at lowest possible cost to sell at prices consistent with the world market.

The Bank shall provide credits for the implementation of measures and the building of projects of interest to some of the member countries, subject to the conclusion of long-term agreements or other understandings concerning the implementation of the measures, the building of the projects and the sale of their output in the common interest of the member countries, recommendations concerning the co-ordination of the national economic plans of the countries members of the Bank also being taken into account.

The Bank's activities shall be organically linked with the system of measures for further developing socialist economic co-operation and reducing the difference between and gradually equalizing the levels of economic development of member countries, subject to observance of the principle of optimal effectiveness in the utilization of credits. By agreement with the Council for Mutual Economic Assistance the Bank shall join with the appropriate organs of the Council for Mutual Economic Assistance in considering questions relating to the co-ordination of the national economic plans of member countries in the field of capital investments which are in the common interest.

Article III

1. The Bank's authorized capital shall be 1,000 million transferable roubles. It shall be in the form of the common currency (transferable roubles) and in freely convertible currencies or in gold.

The gold content of the transferable rouble shall be 0.987412 gramme of fine gold.

2. The amount of this capital to be subscribed (quota) by each Contracting Party shall be commensurate with its exports to the other Contracting Parties, *viz*:

	<i>Million transferable roubles</i>
For the People's Republic of Bulgaria	85.1
For the Hungarian People's Republic	83.7
For the German Democratic Republic	176.1
For the Mongolian People's Republic	4.5
For the Polish People's Republic	121.4
For the Union of Soviet Socialist Republics	399.3
For the Czechoslovak Socialist Republic	129.9

Authorized banks of the member countries shall issue to the Bank obligations in the amounts to be subscribed (quotas) by those countries.

3. Seventy per cent of the authorized capital shall be in the form of transferable roubles and 30 per cent in the form of freely convertible currencies or gold.

4. On the establishment of the Bank, the Contracting Parties shall make their first contribution to the authorized capital in the sum of 175 million transferable roubles. A second contribution in the sum of 175 million transferable roubles shall be made during the second year of the Bank's existence.

The manner and timing of payment of the remaining part of the capital shall be determined by the Council of the Bank in accordance with the development of the Bank's operations and the demand for funds.

5. The Bank's authorized capital may be increased with the consent of the Governments of member countries on the recommendation of the Council of the Bank. The manner and timing of the relevant contributions shall be decided by the Council of the Bank.

6. The Bank's authorized capital shall also be increased on the admission of a new member by the amount to be subscribed (quota) by that member. The amount, manner and timing of the contribution shall be decided by the Council of the Bank in agreement with the country concerned.

Article IV

The Bank shall form a reserve capital fund.

The Bank may establish its own special funds.

The Council of the Bank shall decide for what purposes, in what amount, when and how the reserve capital fund and the Bank's own special funds shall be formed and used.

Article V

The Bank may establish special funds from the resources of the countries concerned.

Article VI

The Bank may attract funds in the common currency (transferable roubles), the national currencies of the countries concerned and freely convertible currencies by obtaining credits and loans from banks and other institutions, by accepting medium-term and long-term deposits and by other means.

The Council of the Bank may take decisions concerning the issue of interest-bearing bonds and their placement on the international money markets.

The terms on which bonds are issued shall be determined by the Council of the Bank.

Article VII

1. The Bank shall provide long-term and medium-term credits for the purposes set forth in article II of this Agreement.

2. The credits shall be made available to:

- (a) Banks, economic organizations and enterprises of countries members of the Bank which are officially authorized by such member countries to receive credits;
- (b) International organizations and enterprises of countries members of the Bank which are engaged in economic activity;
- (c) Banks and economic organizations of other countries in accordance with a procedure established by the Council of the Bank.

3. The Bank may issue guarantees in accordance with a procedure established by the Council of the Bank.

Article VIII

The procedure for credit planning, time-limits, the conditions governing the provision, utilization and repayment of credits, the issue of guarantees and the imposition of penalties for violation of the conditions governing credits and guarantees shall be determined by the Charter and the decisions of the Council of the Bank.

Article IX

The Bank may place temporarily free funds with other banks, buy and sell currency, gold and securities and carry out other banking operations which are consistent with the aims of the Bank.

Article X

The Bank shall ensure the profitability of its activities.

Article XI

The Bank shall have the right to co-operate with organs of the Council for Mutual Economic Assistance, the International Bank for Economic Co-operation and other economic organizations of member countries.

On the basis of equality of rights, the Bank may establish contacts and business relations with international credit, financial and other institutions and with other banks.

The nature and form of these relations shall be determined by the Council of the Bank.

Article XII

Neither membership of the Bank nor the activities of the Bank may in any way be used to hinder the establishment and development of direct financial and other business connexions of countries members of the Bank with each other, with other countries and with international financial and banking organizations.

The Bank's credit operations shall be without prejudice to existing principles and procedure in respect of the provision of credits on the basis of bilateral intergovernmental agreements on economic co-operation and mutual assistance.

Article XIII

1. The Bank shall possess juridical personality.

The Bank shall enjoy the legal capacity essential to the performance of its functions and the achievement of its purposes, in accordance with the provisions of this Agreement and the Charter of the Bank.

2. The Bank, representatives of countries on the Council of the Bank and officers of the Bank shall enjoy, in the territory of all countries members of the Bank, the privileges and immunities which are necessary for the performance of the functions and the achievement of the purposes set forth in this Agreement and in the Charter of the Bank. The privileges and immunities referred to above shall be defined by articles XV, XVI and XVII of this Agreement.

3. The Bank may open branches and have missions in the country in which it has its head office and in other countries.

The legal relations between the Bank and the country in which it has its head office and countries in which it has branches and missions shall be defined by appropriate agreements.

4. The Bank's liability shall be limited to its assets.

The Bank shall not be responsible for the liabilities of countries members of the Bank and they shall not be responsible for its liabilities.

Article XIV

The Bank's activities shall be governed by this Agreement, the Charter of the Bank annexed to this Agreement and the rules made by the Bank on matters within its competence.

In the interests of the further development and improvement of the Bank's operations and the strengthening of socialist economic co-operation, changes may be made in the Charter of the Bank with the consent of the Governments of countries members of the Bank on the recommendation of the Council of the Bank.

Article XV

1. The property, assets and documents of the Bank, wherever situated, and its operations shall enjoy immunity from every form of administrative and legal process except in cases in which the Bank itself has waived its immunity. The premises of the Bank and of its branches and missions in the territory of any country member of the Bank shall be inviolable.

2. In the territory of any country member of the Bank, the Bank shall:
- (a) Be exempt from all direct taxes and duties levied either by State or by local authorities. This exemption shall not apply to charges for public utility and other services;
 - (b) Be exempt from customs duties and restrictions on imports or exports of articles intended for official use;
 - (c) Enjoy all the privileges enjoyed by diplomatic missions in the country with respect to priorities, rates and taxes in the use of postal, cable and telephone communications.

Article XVI

1. Representatives of countries on the Council of the Bank shall while exercising their official functions be accorded in the territory of each country member of the Bank the following privileges and immunities:

- (a) Immunity from personal arrest or detention and from the jurisdiction of judicial institutions in respect of any acts done by them in their capacity as representatives;
- (b) Inviolability for all papers and documents;
- (c) The same customs facilities in respect of their personal baggage as are accorded to members of comparable rank of diplomatic missions in the country concerned;
- (d) Exemption from national service obligations and from direct taxes and duties on money paid to them by the countries which appointed them.

2. The privileges and immunities provided in this article are accorded to the persons mentioned therein solely in the interests of their official functions. Each country member of the Bank shall have the right and the duty to waive the immunity of its representative in any case where in the opinion of that country the immunity would impede the course of justice and can be waived without prejudice to the purpose for which it was accorded.

3. The provisions of paragraph 1 shall not apply as between a representative and the authorities of the country of which he is a national.

Article XVII

1. The Council of the Bank, on the recommendation of the Board of Management of the Bank, shall specify the categories of officers of the Bank to which the provisions of this article shall apply. The names of such officers shall be communicated periodically by the Chairman of the Board to the competent authorities of the countries members of the Bank.

2. In the performance of their duties, officers of the Bank shall, in the territory of each country member of the Bank:

- (a) Not be liable, legally or administratively, for any acts performed by them in their official capacity;
- (b) Be exempt from national service obligations and from direct taxes and duties on the salaries paid to them by the Bank. This provision shall not apply to officers of the Bank who are nationals of the country in which the Bank or the branch or mission concerned is situated;
- (c) Have the right to the same customs facilities in respect of their personal baggage as are accorded to members of comparable rank of diplomatic missions in the country concerned.

3. The privileges and immunities provided in this article are accorded to officers of the Bank solely in the interests of their official functions.

The Chairman of the Board of Management of the Bank shall have the right and the duty to waive the immunity of officers of the Bank in any case where in his opinion the immunity would impede the course of justice and can be waived without prejudice to the purpose for which it was accorded. In the case of the Chairman or members of the Board of Management, the right to waive immunity shall be vested in the Council of the Bank.

Article XVIII

In the performance of their duties, officers of the Bank shall act as international officers. They shall be subject only to the authority of the Bank and shall be independent of any organs or officials of their own countries. Each country member of the Bank shall respect the international character of these duties.

Article XIX

The Council of the Bank shall be the highest administrative organ of the Bank and shall be responsible for the general direction of the Bank's activities.

The Council of the Bank shall consist of representatives of all countries members of the Bank, appointed by the Governments of those countries.

Each country member of the Bank shall have one vote in the Council irrespective of its share in the Bank's capital.

The Council's decisions on the questions of principle enumerated in the Charter which relate to the Bank's activities shall be taken unanimously and those on other questions by a majority of not less than three quarters of the votes cast. The Council of the Bank shall be authorized to take decisions at a meeting if representatives of not less than three quarters of the countries members of the Bank are present.

Article XX

The Board of Management of the Bank shall be the executive organ of the Bank.

The Board shall be accountable to the Council of the Bank.

The Board shall consist of a Chairman and three Vice-Chairmen appointed by the Council of the Bank from among nationals of countries members of the Bank for a period of five years.

The basic function of the Board shall be to direct the Bank's activities in accordance with this Agreement, the Charter of the Bank and the decisions of the Council of the Bank.

The Chairman of the Board shall be responsible for direct guidance of the operational activities of the Bank and the Board in accordance with the principle of sole personal responsibility within the limits of his competence and his rights as defined by the Charter and the decisions of the Council of the Bank.

Article XXI

The auditing of the Bank's operations shall be carried out by an Audit Commission appointed by the Council of the Bank.

Article XXII

Claims against the Bank must be made not later than two years from the time when the grounds for action arise.

Article XXIII

Any country wishing to become a Party to this Agreement and a member of the Bank shall submit an official declaration to the Council of the Bank stating that it subscribes to the purposes and principles of the Bank's activities and accepts the obligations arising out of this Agreement and the Charter of the Bank.

New members shall be admitted to the Bank by decision of the Council.

A duly certified copy of the decision of the Council concerning the admission of a new country to membership of the Bank shall be transmitted to that country and to the depositary of this Agreement. With effect from the date of receipt by the depositary of that document and the declaration of intent, the country shall be considered a Party to the Agreement and a member of the Bank. The depositary shall inform the Bank and the member countries to that effect.

Article XXIV

Any country may withdraw from the Bank and from this Agreement by giving the Council of the Bank not less than six months' notice to that effect. The position between the Bank and the country concerned as regards their mutual obligations shall be settled within that period.

The Council shall send official notification of the withdrawal of a country from the Bank to the depositary of this Agreement.

Article XXV

This Agreement shall be subject to ratification and shall enter into force on the date of deposit, by the last of the Contracting Parties, of its instrument of ratification with the depositary of the Agreement.

Nevertheless, the Agreement shall be put into effect provisionally from 1 January 1971 unless it has already entered into force by that date in accordance with preceding paragraph.

Article XXVI

This Agreement may be amended only with the consent of all the countries members of the Bank.

The Agreement shall cease to have effect if two thirds or more of the member countries declare their withdrawal from the Bank, in accordance with article XXIV of this Agreement, and denounce the Agreement.

In that event the Bank's activities shall be terminated within the period and in accordance with the procedure established by the Council of the Bank.

Article XXVII

This Agreement shall be deposited with the Secretariat of the Council for Mutual Economic Assistance, which shall act as the depositary of the Agreement.

DONE at Moscow, on 10 July 1970, in a single copy in Russian.

Certified true copies of this Agreement shall be transmitted to all the Contracting Parties by the depositary.

For the Government of the People's Republic of Bulgaria:

[D. BAZHDAROV]

For the Government of the Hungarian People's Republic:

[K. GARAMVÖLGYI]

For the Government of the German Democratic Republic:

[S. BÖHM]

For the Government of the Mongolian People's Republic:

[T. MOLOM]

For the Government of the Polish People's Republic:

[J. TRENDOTA]

For the Government of the Union of Soviet Socialist Republics:

[V. GARBUZOV]

For the Government of the Czechoslovak Socialist Republic:

[R. ROHLIČEK]

CHARTER OF THE INTERNATIONAL INVESTMENT BANK

The International Investment Bank is an institution established in pursuance of an agreement entered into by the Governments of the People's Republic of Bulgaria, the Hungarian People's Republic, the German Democratic Republic, the Mongolian People's Republic, the Polish People's Republic, the Union of Soviet Socialist Republics and the Czechoslovak Socialist Republic.

GENERAL PROVISIONS

Article 1

The International Investment Bank, hereinafter called "the Bank", plans and carries out long-term and medium-term credit and other banking operations in accordance with the Agreement concerning the Establishment of an International Investment Bank (hereinafter called "the Agreement") and its Charter.

Article 2

The Bank shall possess juridical personality under the name "The International Investment Bank".

The Bank's purposes and functions, its legal capacity, including its powers and the limits of its liability, and provisions relating to the legal regulation of the Bank's activities and to the privileges and immunities enjoyed by the Bank, representatives of member countries on the Council and the officers of the Bank shall be laid down by the Agreement and the Charter of the Bank.

The Bank shall be empowered:

- (a) To conclude international and other agreements and to engage in all transactions within the limits of its competence;
- (b) To acquire, lease and alienate property;
- (c) To institute and respond to proceedings before courts of law and arbitration bodies;
- (d) To open branches and to have missions in the country in which it has its head office and in other countries;
- (e) To make rules and regulations on matters within its competence; and
- (f) To engage in other actions designed to carry out its functions.

Article 3

The Bank's liability shall be limited to its assets.

The Bank shall not be responsible for the liabilities of member countries and they shall not be responsible for its liabilities.

Article 4

The Bank shall have a seal with the inscription "International Investment Bank". The branches, missions and subsidiary offices of the Bank shall have a seal with the same inscription and the name of the branch, mission or office concerned.

Article 5

The Bank shall ensure secrecy with regard to the transactions, papers, accounts and deposits of its clients and correspondents.

The officers and other employees of the Bank shall be bound to secrecy with regard to the transactions, papers, accounts and deposits of the Bank, its clients and correspondents.

MEMBERSHIP

Article 6

The countries which have signed and ratified the Agreement shall be founder-members of the Bank.

Other countries may also be admitted to the Bank.

Any country wishing to become a member of the Bank shall transmit an official declaration to the Council of the Bank stating that it subscribes to the purposes and principles of the Bank's activities and accepts the obligations arising out of the Agreement and the Charter of the Bank.

A country shall be admitted to the Bank on the decision of the Council of the Bank.

Any country may withdraw from the Bank by giving the Council of the Bank not less than six months' notice to that effect. The position between the Bank and the country concerned as regards their mutual obligations shall be settled within that period.

Article 7

If institutions or organizations of member countries violate the provisions of the Agreement or the Charter of the Bank, in particular if they do not discharge their liabilities to the Bank, the Council of the Bank shall inform the competent organs of the member countries and, when necessary, the Governments of those countries.

THE BANK'S RESOURCES

Article 8

The Bank's resources shall be made up of contributions from member countries to its authorized capital, contributions from the countries concerned to their special funds, funds attracted from countries members of the Bank or from the international money markets, and that part of its income transferred to the reserve capital fund and its own special funds.

Article 9

The Bank's authorized capital shall be 1,000 million transferable roubles. It shall be in the form of the common currency (transferable roubles) and in freely convertible currencies or in gold.

The authorized capital shall be used for the purposes envisaged by the Agreement and the Charter of the Bank and shall serve to guarantee its liabilities.

The amount of the authorized capital may be increased in accordance with the provisions of the Agreement.

Contributions to the authorized capital shall be made in accordance with the provisions of the Agreement and the decisions of the Council of the Bank.

A country that has made a contribution to the Bank's authorized capital shall be issued a certificate which shall constitute acknowledgement and proof that the contribution has been made.

If a country withdraws from the Bank, the amount of its contribution to the authorized capital shall be taken into account in the settlement of the position between that country and the Bank as regards their mutual obligations.

Article 10

The Bank shall form a reserve capital fund and may also establish its own special funds. The reserve capital fund and the Bank's own special funds shall be formed from its income.

Article 11

Special funds may be set up within the Bank from the resources of the countries concerned, including a fund to provide credit for the joint construction of projects in member countries and a fund to provide credit for measures relating to economic and technical assistance to developing countries.

The procedure for the establishment and operation of such special funds and their purposes, amounts and conditions shall be determined by appropriate agreements between the countries concerned and the Bank.

Article 12

The Bank may attract funds in the common currency (transferable roubles), the national currencies of the countries concerned and freely convertible currencies by obtaining credits and loans from banks and other institutions, by accepting medium-term and long-term deposits and by other means.

The Council of the Bank may take decisions concerning the issue of interest-bearing bonds and their placement on the international money markets.

The terms on which bonds are issued shall be determined by the Council of the Bank.

CREDIT OPERATIONS

Article 13

The Bank shall extend long-term and medium-term credits to borrowers designated in the Agreement out of its own funds and funds which it has attracted, in currencies agreed upon by the Bank and the borrower and for the purposes envisaged by the Agreement. It shall participate with other banking institutions in the provision of such credits and shall guarantee the obligations of economic organizations and enterprises in accordance with the procedure established by the Council of the Bank.

Article 14

The provision of credit for the measures envisaged by the Agreement shall be carried out in accordance with current and long-term credit plans. The procedure for the drawing up of credit plans shall be determined by the Council of the Bank.

Article 15

The Bank shall extend credits for projects financed in part out of the borrower's own funds or, in certain cases, for the full cost of the project.

The provision and guaranteeing of credits by the Bank shall be regulated in each individual case by an appropriate agreement.

The credit agreement shall specify economic criteria for the optimal efficiency of the project for which the credit is extended and the terms of the provision, utilization and repayment of the credit.

Credits shall be extended primarily for high-efficiency projects.

The criteria of economic efficiency are: conformity to the highest technical standards in the construction of the project; achievement by the latter of optimal output; observance of the optimal repayment periods for the industry concerned; a product which conforms to world standards of quality and can be sold at world

prices; existence of the necessary raw materials base and a market for the product; time required to complete construction; and other economic, financial and banking criteria specified by the Council of the Bank according to the nature and purpose of the capital investments in question.

The Bank may, at its discretion, appraise the project and its technical documentation and estimates, or submit them for appraisal by appropriate national organizations or international groups of experts. Materials and data needed for the appraisal shall be supplied by the recipients of the credits.

The Bank may require security for the credits and guarantees which it provides.

The Council of the Bank shall determine the procedure for the provision and repayment of credits and the provision of security and the general conditions to be incorporated in credit agreements.

Article 16

Medium-term credits shall normally be provided for periods of not more than five years and long-term credits for a maximum period of 15 years.

Article 17

Repayment of credits provided by the Bank shall be made by the borrower in accordance with the repayment plan established in the credit agreement and within the specified time-limit. Repayment shall normally begin not later than six months from the date on which, as specified in the credit agreement, the project is to be put into operation.

Repayment of the credit shall normally be effected in the currencies in which it was provided or in other currencies agreed upon by the Bank and the borrower.

Article 18

1. The Bank shall take the necessary steps to ensure the proper and efficient use of its credit and guarantee funds. For these purposes the Bank shall be authorized:

- (a) To permit the provision of funds, when engaging in credit and guarantee transactions, only for expenditures specified in the agreements which it has concluded;
- (b) To exercise constant supervision to ensure conformity with the terms of credit agreements both at the preparatory stage and at the stage of construction of the project and repayment of the credit by the borrower;

- (c) To send its own experts and representatives of international groups of experts invited by it to carry out the necessary supervision at the site of the project both at the preparatory stage and at the stage of construction of the project and repayment of the credit. In such cases the countries concerned shall assist these experts in the performance of their duties and may appoint their own representatives to participate in the supervision.

2. If the borrower violates the terms of the agreement, the Bank shall have the right to apply the following sanctions:

- (a) To limit or terminate entirely the provision of credits to the borrower;
- (b) To increase the rate of interest charged on the credit during the period in which the conditions of the agreement are being violated by the borrower;
- (c) To require from such borrowers and their guarantors repayment to the Bank of the relevant amounts and, if the borrowers and their guarantors have sufficient funds in their accounts at the Bank, to recover the debts from those accounts before the time-limit of the credit expires;
- (d) To take other possible measures to protect the Bank's interests in accordance with the principles established by the Council of the Bank.

The limitation and termination of the provision of credits shall be carried out in accordance with the procedure established by the Council of the Bank.

The measures or sanctions to be applied by the Bank in the event of violation of a credit agreement or of the terms of a guarantee issued in the Bank's favour shall be specified in the agreement or in the guarantee.

In the event of substantial violations of the terms of the credit agreement by the borrower or the terms of the guarantee by the guarantor, the Bank shall notify the competent organs of the borrowing or guaranteeing country and, if necessary, the Government of the country concerned.

OTHER OPERATIONS

Article 19

The Bank may place temporarily free funds with other Banks, buy and sell currency, gold and securities and carry out other banking operations which are consistent with the aims of the Bank.

INTEREST AND CHARGES

Article 20

The Bank shall charge interest on the credits which it extends.

The Bank shall pay interest on the funds which it attracts. The Bank shall levy commission and other charges in respect of guarantee transactions and for the execution of the orders of its clients and correspondents.

The basic principles of the Bank's interest policy and the principles for determining commission and other charges shall be established by the Council of the Bank.

In establishing the principles of the Bank's interest policy, the Council shall take into account the need to make provision for interest rate differentials depending on the term of the credit and the type of currency involved.

ADMINISTRATION; COUNCIL OF THE BANK

Article 21

1. The Council of the Bank shall be the highest administrative organ of the Bank and shall be responsible for the general direction of the Bank's activities.

The Council of the Bank shall consist of representatives of all countries members of the Bank, appointed by the Governments of those countries.

Each country member of the Bank shall have one vote in the Council irrespective of its share in the Bank's capital.

2. The Council of the Bank shall hold meetings as necessary, but not less often than twice a year.

3. The meetings of the Council shall be presided over by a representative of each country member of the Bank in turn.

The Council of the Bank shall draw up its own rules of procedure.

Article 22

1. The Council of the Bank shall:

(a) Determine the general policies of the Bank on matters relating to the extension of credit, attraction of funds and interest policy, the principles governing the fixing of commission and other charges for the Bank's services, and the principles governing co-operation with the banks of member countries and other banks and international financial, banking and similar organizations;

(b) Approve, on the recommendations of the Chairman of the Board of Management, the list of projects for which the Bank is to extend credit, showing the amount of credit for each project, and determine the general conditions to be incorporated in the credit agreements concluded by the Bank. At the same time, the Council shall state separately in the list of projects the sum total and the maximum amount of credit per project within the limits of which the Board of Management is authorized to make credit available;

- (c) Approve the credit plans, the annual report, the balance sheet and the distribution of net income of the Bank, its organizational structure and manning table and the estimates of its administrative and management expenditure;
- (d) Appoint the Chairman and members of the Board of Management;
- (e) Appoint the Chairman and members of the Audit Commission of the Bank, hear its reports and take decisions on them;
- (f) Take decisions on the opening of branches and missions of the Bank in member countries and other countries and on the termination of their activities;

- (g) Approve the Staff Rules of the Bank and other rules governing relations between the Bank and its staff;
- (h) Take decisions on the purposes, amounts, periods and conditions of formation and use of the reserve capital fund and the Bank's own special funds and on the general procedure for the establishment in the Bank of special funds of the countries concerned;

- (i) Submit recommendations on:
 - Increasing the Bank's authorized capital;
 - Changing the Bank's Charter;
- (j) Take decisions on:
 - The issue of bonds;
 - The admission of new members to the Bank;
 - The manner and timing of contributions to the Bank's authorized capital;
 - The period of notice and procedure for the termination of the Bank's activities;
- (k) Perform such other functions deriving from the Agreement and the Charter of the Bank as may prove necessary for achieving the purposes and carrying out the tasks of the Bank.

2. The Council shall adopt unanimous decisions on the following questions:

- Approval of the annual report, the balance sheet and the distribution of net income of the Bank;
- The submission of recommendations for increases in the Bank's authorized capital;
- The manner and timing of countries' contributions to the authorized capital;

- The issue of bonds;
- The opening and closing of branches and missions of the Bank;

- The appointment of the Chairman and members of the Board of Management and the Chairman and members of the Audit Commission;
- The admission of new members to the Bank;
- The submission of recommendations for changes in the Charter of the Bank;
- The procedure and periods of notice for winding-up the Bank's affairs in accordance with article XXVI of the Agreement.

On other questions, decisions of the Council of the Bank shall require a majority of at least three quarters of the votes cast.

3. The Council of the Bank shall have the right to refer to the Board of Management for decision various questions which under the Charter of the Bank fall within the competence of the Council.

BOARD OF MANAGEMENT OF THE BANK

Article 23

The Board of Management of the Bank shall be the executive organ of the Bank. The Board shall be accountable to the Council of the Bank.

The Board shall consist of a Chairman and three Vice-Chairmen appointed by the Council of the Bank from among nationals of countries members of the Bank for a period of five years.

The basic function of the Board shall be to direct the Bank's activities in accordance with the Agreement, the Charter and decisions of the Council of the Bank.

The Chairman of the Board shall be responsible for direct guidance of the operational activities of the Bank and the Board in accordance with the principle of sole personal responsibility within the limits of his competence and his rights as defined by the Charter and decisions of the Council of the Bank.

It shall lie within the competence of the Chairman of the Board to:

- (a) Administer all the assets and funds of the Bank in accordance with the Charter of the Bank and decisions of the Council of the Bank;
- (b) Carry out the credit plans approved by the Council of the Bank;
- (c) Organize the work of attracting and investing free funds;
- (d) Submit to the Council of the Bank the list of projects for which credit is to be extended together with the relevant supporting documents;
- (e) Take decisions on the provision of credits for the financing of investment projects within the credit limits imposed by the Council of the Bank;
- (f) Take decisions on the issue of guarantees within his competence as defined by the Council of the Bank;

- (g) Fix interest rates and determine conditions for the provision of credits and issue of guarantees in accordance with the principles and general conditions laid down by the Council of the Bank;
- (h) Prepare materials and proposals for consideration by the Council of the Bank;
- (i) Act as the representative of the Bank and institute in the Bank's name proceedings before courts of law and arbitration bodies;
- (j) Issue instructions and take decisions concerning the ordinary business of the Bank;
- (k) Sign agreements, obligations and credentials in the name of the Bank;
- (l) Organize and establish business connexions and correspondence between the Bank and other banks and organizations;
- (m) Approve the Bank's rules and regulations concerning the procedure for carrying out credit and other banking transactions in accordance with the principles laid down by the Council of the Bank;
- (n) Appoint and dismiss members of the staff of the Bank, except for members of the Board, approve the internal regulations, and, in accordance with the manning table and estimates of management and administrative costs approved by the Council, fix rates of pay and provide bonuses for meritorious staff;
- (o) Determine the size and fix rates of pay of the Bank's service and technical staff within the limits of the remuneration fund established for that purpose by the Council and allocate such staff to the Bank's departments and sections;
- (p) Authorize officers of the Bank to act in the name of the Bank and to sign agreements, obligations and credentials;
- (q) Carry out other functions deriving from the Agreement, the Charter of the Bank and decisions of the Council of the Bank.

The Chairman of the Board of Management shall take decisions on the questions referred to in subparagraphs (b), (c), (d), (e), (f), (g), (h), (l), (m), and (o) after they have been discussed at a board meeting.

The results of discussions at board meetings shall be recorded in minutes.

If individual members of the Board disagree with a decision taken by the Chairman of the Board, they may request that their opinions should be recorded in the minutes and, if they consider it necessary, they may bring the matter to the notice of the Council of the Bank.

Members of the Board shall each direct a specific section of the work and shall be accountable to the Chairman of the Board.

Article 24

In the performance of their official duties the Chairman and members of the Board and other officers of the Bank shall act as international officers. They shall be subject to the authority of the Bank and independent of any organs or officials of the countries of which they are nationals.

AUDIT OF THE BANK'S OPERATIONS

Article 25

The auditing of the Bank's operations, including verification that the decisions of the Council of the Bank have been carried out, the checking of the annual report, verification of cash on hand and other assets and scrutiny of the accounts, statements and business correspondence of the Bank, its branches and its missions shall be carried out by an Audit Commission, consisting of a chairman and three members appointed by the Council of the Bank for a period of five years.

The chairman and members of the Audit Commission may not hold any office in the Bank.

The Council of the Bank shall determine when and how audits shall be held.

The Chairman of the Board of Management shall make available to the Audit Commission all documentation needed for the audits.

Reports of the Audit Commission shall be presented to the Council of the Bank.

ORGANIZATION

Article 26

The Bank shall have departments and sections and may have branches and missions.

The structure of the Bank shall be approved by the Council of the Bank.

The personnel of the Bank shall be made up of citizens of the countries members of the Bank in accordance with the Staff Rules.

PROCEDURE IN DISPUTES

Article 27

Claims against the Bank must be made not later than two years from the time when the grounds for action arise.

Article 28

Disputes between the Bank and its clients shall, by agreement between the Parties, be examined by an arbitration body selected from among those already in existence or especially created.

In the absence of such agreement, the dispute shall be submitted for settlement to the arbitration body operating under the Chamber of Commerce of the country in which the Bank has its headquarters.

STATEMENTS

Article 29

The Bank's financial year shall run from 1 January to 31 December inclusive.

Annual statements shall be published in the manner directed by the Council of the Bank.

PROFIT AND LOSS ACCOUNTING AND DISTRIBUTION OF NET INCOME

Article 30

The Bank shall carry out its activities in accordance with the principle of profit and loss accounting and shall ensure their profitability.

After approval of the annual report, the net income of the Bank shall be distributed at the discretion of the Council of the Bank. It may be added to the reserve capital fund or the Bank's own special funds, distributed among member countries or used for other purposes.

PROCEDURE FOR AMENDMENT OF THE CHARTER

Article 31

In accordance with article XIV of the Agreement, amendments may be made to the Charter of the Bank with the consent of the Governments of the countries members of the Bank on the recommendation of the Council of the Bank.

Article 32

Any country member of the Bank and the Board of Management may submit proposals for the amendment of the Charter for consideration by the Council.

TERMINATION OF THE BANK'S ACTIVITIES

Article 34

The Bank's activities may be terminated in accordance with the provisions of article XXVI of the Agreement. The periods of notice and the procedure for terminating the Bank's activities and winding up its affairs shall be determined by the Council of the Bank.