

ABBREVIATIONS

- (a) J.S. - mimeographed Joint Statement of April 26, 1944
- (b) P.P. - Printed Plan of November 24, 1943
- (c) I.M.F. - draft of International Monetary Fund Agreement of April 25, 1944
- (d) I.A.B. - Inter-American Bank documents
- (e) Q & A - Questions and Answers of February 24, 1944
- (f) E.M.B. - suggestion of Mr. E. M. Bernstein
- (g) R.B.C. - proposed reply to British comments

*Understandably late IMF
Swanson's by 13 to 14
I think shall be done in 1944
but not coming in until 1945*

Divergencies in phrasing between
Fund and Bank drafts

Fund

Bank

1. country that (which)
sent delegates to the
meeting at which -

country represented
in the meeting at
which -

2. date *** for commence-
ment of the operations
of the Fund

date *** for opera-
tions of the Bank to
begin

AGREEMENT TO ESTABLISH A BANK FOR
RECONSTRUCTION AND DEVELOPMENT

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AGREEMENT TO ESTABLISH A BANK FOR
RECONSTRUCTION AND DEVELOPMENT

Concluded among the delegates of the governments of:

[List of Countries]

I.M.F.

The undersigned, delegates of the Governments of the countries above enumerated, meeting in the City of Washington, D. C., have by common accord concluded the following agreement for the establishment of a Bank for Reconstruction and Development in which their respective governments may accept membership.

Article I.

Creation, Purposes, and Policies of the Bank

I.M.F. I

There ^{in hereby} shall be established, under the name of Bank for Reconstruction and Development, ^{hereinafter referred to as the "Bank"} a permanent institution which shall be guided in all its decisions by the following purposes and policies:

J.S. I

1. To assist in the reconstruction and development of member countries by facilitating provision of long-term investment capital for productive purposes through private financial agencies, by means of guaranteeing and participating in the loans made by private investors;
2. To supplement private financial agencies by providing capital for productive purposes out of its own resources, on conditions that amply safeguard its funds, when private capital is not available on reasonable terms;
3. To promote the long-range balanced growth of international trade by encouraging international investment for the development of the productive resources of member countries;
4. To ^{conduct its operations with due regard to} take into consideration, in its operations, the effect of international investment on business conditions in member countries and, in the immediate post-war years, to assist in bringing about a smooth transition from a wartime to a peacetime economy.

Article II.

Membership in and Capital of the Bank

Section 1. Countries Eligible for Membership.

I.M.F.
II, 1

The member countries of the Bank shall be those of the countries represented ^{at the United Nations Monetary & Financial Conference} in the meeting at which this Agreement was concluded whose governments shall accept membership in the Bank as provided in Article IX. Membership in the Bank shall be open to other countries in accordance with rules to be established by the Bank at such time as the Board of Directors of the Bank deems advisable.

*How of having
to pay...
country...
Bank...*

*members of the IMF
which accept membership
in the Bank.*

Upon acceptance of membership in the Bank, as provided in Article IX, or in the rules to be established by the Bank, member countries shall assume all of the obligations pertaining to membership, but no country shall acquire the rights pertaining to membership until it has made the initial payment on its subscription to ^{share} stock of the Bank.

Section 2. Authorized Capital.

J.S. II, 1

The authorized capital stock of the Bank shall be \$10,000,000,000, in terms of United States dollars of the weight and fineness in effect on the date of ^{the Final Act of the United Nations Monetary & Financial Conference} this Agreement. The capital stock shall be divided into 100,000 shares having a par value of \$100,000 each, which shall be available for subscription only to member countries.

I.A.B.
By-laws,
2B

Section 3. Subscriptions for Stock.

J.S. II, 1
P.P. II, 3
Q.&A. 1, p.2

Each member country shall subscribe for a whole number of shares of stock equal in par value to not less than eighty per cent of the sum of (a) four per cent of the national income of the country for the calendar year 1940 and (b) six per cent of its average annual total foreign trade during the calendar years 1934 to 1938, inclusive. The minimum number of shares to be subscribed by countries represented ^{at the Conference} in the meeting at which this Agreement was concluded shall be:

*do not have
to pay...
country...
Bank...*

I.M.F. II, 2

Country

Number of Shares

New

Any member country may subscribe for additional shares of stock in accordance with rules to be established by the Bank, except that ^{2,000} 20,000 shares shall be reserved for minimum subscriptions of countries not represented ^{at the United Nations Monetary & Financial Conference} in the meeting at which this Agreement was concluded.

Section 4. Payment of Subscriptions.

Part A. Initial Payment.

The initial payment ^{on the shares subscribed by} of each country which becomes a member of the Bank before the date fixed ~~by the Board of Directors~~, in accordance with Article IX, Section 5, for the operations of the Bank to begin shall be twenty per cent of the par value of the shares ~~subscribed by the country~~ and shall be made not later than the date so fixed ~~by the Board.~~

J.S. II, 3
P.P. II, 4(a)

New

Each country which becomes a member after the date so fixed ~~by the Board~~ shall make its initial payment at such time as may be fixed by the Bank and in such amount as will include the ~~calls~~ made on previously issued shares and the amount, if any, by which the issue price of the shares, determined in accordance with Part E of this Section, exceeds par.

if calls are made to cover excess of issue price to previous operations on the same shares of initial value to be paid

calls as to premium price because of allocation of reserves

Part B. Subsequent Payments.

The remainder of the subscriptions of member countries shall be paid in such amounts and at such times as the Bank may determine, but not more than twenty per cent of the subscriptions may be called in any one year ~~and calls for further payments~~ shall be uniform on all shares. ^{shall be made funds as needed} ^{only when needed for the operations of the Bank}

P.P. II, 4(b)
P.P. II, 4(c)

How does uniformity rule fit this scheme

Part C. Method of Payment.

All payments made by a member country on shares subscribed, except that part of any payment attributable to excess of purchase ^{price} over par, shall include gold in an amount which is the lesser of (a) twenty per cent of the payment or (b) two per cent of the official holdings of gold and gold-convertible currencies and securities of the member country on the first day of January preceding the date of payment. The remainder of ^{each} the ^{on} payments shall be in the currency of the member country in amounts ^a determined ^a as follows:

New; cf.
I.M.F. II, 4

Bank can make it smaller in equivalent to amount

(a) If the country is a member of the International Monetary Fund, by converting the amount of the payment in United States dollars of the weight and fineness in effect on the date of ^{the final Act of the United Nations Monetary and Financial Conference} this Agreement into the currency of such country at the rate of exchange resulting from the par values established by the Fund for the currency of such country and the United

The amount determined by an equitable & uniform rule prescribed by the Bank.

States dollar with an adjustment equal to any net change in the gold value of the United States dollar between the date of this Agreement and the date of payment, ^{of final act} or

(b) If the country is not a member of the International Monetary Fund, by converting the amount of the payment in United States dollars of the weight and fineness in effect on the date of this Agreement into the currency of such country at the rate of exchange certified by the Fund, or determined by the Bank if the Fund fails to certify, as the average between the buying and selling prices for such currency in United States dollars in New York on the day preceding the date of payment with an adjustment equal to any net change in the gold value of the United States dollar between the date of this Agreement and the date of payment.

I.M.F. III, 2

The holdings of the ^{Bank} Fund in the currency of each member country, to the extent deemed by the ^{Bank} Fund to be necessary for its operations, shall be deposited in the name of the ^{Bank} Fund in the central bank of that country, or if no such bank exists, in a fiscal agency of that country selected by the ^{Bank} Fund with the approval of the Director representing the country. The balance of the holdings of the ^{Bank} Fund in such currency shall be in bills, notes, or other form of indebtedness, issued by the Government of the country, which shall be non-negotiable, non-interest bearing and payable at their par value on demand by a credit to the deposit account of the ^{Bank} Fund in the country.

Part D. Protection of the Assets of the Bank.

No change in the value of the currency of any member or former member country shall alter the gold value of the holdings of the Bank in the currency of that country.

P.P. III, 2
I.M.F. IV, 4

Whenever the par value of the currency of any member ^{of any} or former member country which is a member of the International Monetary Fund is reduced, such country shall pay to the Bank, within a reasonable time, an amount in its own currency equal to the reduction in the gold value of the currency of such country held by the Bank. Whenever the

par value of the currency of any such country is increased, the Bank shall pay to the country, within a reasonable time, an amount in its own currency equal to the increase in the gold value of such currency held by the Bank.

Whenever the rate of exchange certified by the Fund, or determined by the Bank if the Fund fails to certify, as the average between the buying and selling prices in United States dollars in New York for the currency of a member or former member country which is not a member of the International Monetary Fund decreases by more than two per cent, after adjustment for any net change in the gold value of the United States dollar between the date of ^{the Fund Act} this Agreement and the date of certification or determination, such country shall pay to the Bank, within a reasonable time, an amount in its own currency equal to the reduction in the value of the currency of such country held by the Bank. Whenever the rate of exchange certified by the Fund, or determined by the Bank if the Fund fails to certify, as the average between the buying and selling prices in United States dollars in New York for the currency of any such country increases by more than two per cent, after adjustment for any net change in the gold value of the United States dollar between the date of ^{the Fund Act} this Agreement and the date of certification or determination, the Bank shall pay to such country an amount in its own currency equal to the increase in the value of such currency held by the Bank.

Part E. Issue Price of Shares.

New
See I.A.B.
By-laws, 2A

Shares of stock included in the initial subscription of a country represented in the meeting at which this Agreement was concluded shall be issued at par. Other shares shall be issued at a price not below par, fixed by the Bank with due regard to the surplus and reserves existing at the time of subscription.

Below par sale

Section 5. Reservation of Uncalled Subscriptions [as Surety Fund].

J.S. II, 2

A substantial part of the subscribed capital of the Bank, but in any event not less than twenty per cent, shall be reserved in the form of uncalled subscriptions to assure payment for the securities and other obligations guaranteed or issued by the Bank.

shall be called only if no other funds are available to make such payments

Section 6. Limitation on Liability.

J.S. II, 1

Liability on shares of the Bank shall be limited to the unpaid portion of the issue price of the shares. *Possibility of pre-emptive liability.*

Section 7. Disposal of Shares Limited.

P.P. II, 2

Shares shall not be pledged or encumbered in any manner whatever and they shall be transferable only to the Bank ~~or to a member country~~ and only upon cessation of membership in the Bank.

Section 8. Return of Subscriptions.

P.P. II, 6

When the resources of the Bank are substantially in excess of prospective needs, the Bank may return, subject to call, uniform amounts on all shares of stock outstanding, ^{liquid} but no such return shall so reduce the resources that the limitations on loans and guarantees by the Bank established by Article III, Section 2, are exceeded.

Omitted provisions of printed plan:

1. Section 6, relating to repurchase of shares with excess holdings of particular currency.
2. Section 7, requiring repurchase of local currency with gold.
3. Section 8, undertaking that assets of Bank shall be free--transferred to Article VI.
4. Section 9, providing that resources shall be used exclusively for benefit of member countries.

Article III.

Operations of the Bank

Section 1. Agencies Dealing with the Bank.

J.S. III, 1
P.P. IV, 17

The Bank shall conduct its business only with or through the governments of the member countries, their central banks, stabilization funds and other similar fiscal agencies, the International Monetary Fund and other international agencies participated in primarily by governments of member countries; except that in exercising the powers conferred by Section 10 of this Article, the Bank may deal with any person, partnership, association, corporation or other legal entity subject to the jurisdiction of any member country.

Section 2. Limitation on Loans and Guarantees.

J.S. III, 2

The total amount of loans made by the Bank and participations held by the Bank shall not exceed at any one time two hundred per cent ^{fifty} of the ^{subscribed} paid-in capital of the Bank. The total amount of loans guaranteed

Aggregate liability fees 25% of capital (authorized)

Allow capital to be increased by 4/5 vote

by the Bank shall not exceed at any one time five hundred per cent of the paid-in capital.

Section 3. Bank Not to Engage in Local Financing.

J.S. III, 3
P.P. IV, 8(b)(c)
The Bank shall not guarantee, participate in or make any loan for the purpose of providing a borrower with capital in the form of the currency of the member country in which the project to be financed is located. In those special circumstances where the necessary capital cannot be borrowed in such country on reasonable terms, the Bank may guarantee, participate in or make a loan in the currency of the country, but the amount so guaranteed or loaned shall not exceed twenty-five per cent of the estimated cost of the project, *portion of the total cost of the project to be paid in the currency of that country shall not exceed 25%*

Should this go back into Sec. 7/

Section 4. Conditions on Which Bank May Lend or Guarantee Loans.

J.S. III, 4
P.P. IV, 1
The Bank may guarantee, participate in, or make loans to the government of any member country, political subdivisions thereof, and business and industrial enterprises therein, subject to the following conditions:

J.S. III, 4(a)
P.P. IV, 1(a)

(a) The government of the member country in which the project is located, the central bank of such country, or some comparable governmental agency satisfactory to the Bank, guarantees the payment of interest on the loan and repayment of the principal of the loan.

J.S. III, 4(b)
P.P. IV, 1(b)
See P.P. IV, 6

(b) The *borrower is unable to secure the funds* project cannot otherwise be financed on terms which, in the opinion of the Bank, are reasonable.

J.S. III, 4(c)
P.P. IV, 1(c)

(c) A competent committee, appointed as provided in Article IV, Section 6, after a careful study of the merits of the project, has written a report concluding that the project would serve to increase the productivity of the member country in which it is located and that the prospects are favorable to the payment of interest on *the loan* and repayment of the principal of the loan.

J.S. III, 4(d)
P.P. IV, 1(e)
P.P. IV, 2(a)

(d) The rate of interest is reasonable and the schedule for repayment of the principal is appropriate to the project and to the balance of payments prospects of the member country in which the project is located.

J.S. III, 4(e)
P.P. IV, 2(b)

(e) In guaranteeing a loan made by other investors, the Bank receives reasonable compensation for its risk.

Section 5. Investment in Equity Securities.

J.S. III, 5
P.P. IV, 4

To encourage international investment in equity securities, the Bank may consult with the governments of member countries or their appropriate agencies to obtain commitments that restrictions will not be imposed on the right of the holders of equity securities issued within their respective jurisdictions to convert the earnings on such securities into the currencies of the countries in which the holders reside.

restrict persons
that they
not
registered with
Foreign Banks
issues registered with the bank

Should conditions applicable to loans apply or should this be omitted? Can Bank control corporations?

The Bank may invest in equity securities issued within member countries but the total amount of funds so invested shall not exceed at any one time ten per cent of the paid-in capital of the Bank.

Section 6. Use of Loans Guaranteed, Participated in or Made by the Bank.

J.S. III, 6
P.P. IV, 7

The Bank shall not impose upon any loan which it guarantees, participates in or makes conditions as to the particular member country or member countries in which the proceeds of the loan must be spent.

J.S. III, 6
P.P. IV, 1(d)

The Bank shall make appropriate arrangements to assure that the proceeds of any loan which it guarantees, participates in or makes are used only for the purposes for which the loan was made.

Section 7. Foreign Exchange Provided by the Bank.

When the Bank participates in or makes a loan, it shall be guided by the following policies:

J.S. III, 7(a)
P.P. IV, 8(a)

(a) To provide the borrower with the currencies of the member countries in which the loan will be spent in the amounts necessary to meet the payments which will be required in such countries.

(b) To provide any member country in which part of the loan has been spent, at the request of such country, with gold or the currencies of other member countries in exchange for its own currency in an amount not exceeding fifty per cent of the amount spent in such country, if, in the judgment of the

Should participations be excluded?

Don't do participations
Participations to be in public
offerred bonds
with same payments & so
same terms
Same for guarantees

J.S. III, 7(c)
P.P. IV, 14

Bank, the balance of payments position of such country has been adversely affected as a direct or indirect result of the expenditure of a part of the loan in such country.

~~Omitted: P.P. IV, 9 re crediting account of borrower and paying only for audited expenses.~~

Section 8. Additional Foreign Exchange Loaned by the Bank.

J.S. III, 7(b)
P.P. IV, 8(d)

Whenever application is made for the Bank to participate in or make a loan for a project which will result in an increased need by the country in which the project is located for gold or currencies of other member countries, the Bank may lend an additional amount not exceeding twenty-five per cent of the loan to the government or an appropriate agency of the government of the member country in which the project is located in the form of gold or currencies of other member countries.

Section 9. Approval of Countries in Which Loans are to be Spent.

J.S. III, 8
P.P. IV, 13

The Bank shall not guarantee, participate in or make any loan without the approval of the director representing each member country *whose currency is loaned* in which a part of the loan is to be spent.

Section 10. Miscellaneous Operations.

J.S. III, 9(a)
P.P. IV, 5 15(a)

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

~~Should borrower's country be consulted when Bank sells securities in which it has invested?~~

(a) To issue, buy and sell its own securities, securities it has guaranteed and securities in which it has invested, but with respect to each transaction the Bank shall obtain the approval of the director representing the member country in which such security is to be issued, bought or sold, and when the Bank buys securities it has issued, it shall also obtain the approval of the director representing the member country whose currency will be paid for such securities;

(b) To guarantee securities in which it has invested for the purpose of facilitating the sale of such securities;

J.S. III, 9(b)
P.P. IV, 15 (b)

(c) To borrow the currency of any member country with the approval of the director representing such country; and

J.S. III, 9(c)
P.P. IV, 15 (c)

(d) To buy and sell gold and the currencies of member countries whenever such transactions are necessary in connection with the operations of the Bank but with respect to each transaction other than any undertaken to pay creditors, the Bank shall obtain the approval of the directors representing the country in which the transaction takes place and the country whose currency is disposed of by the Bank.

Section 11. Additional Payment Conditions.

Part A. Required Conditions.

When the Bank participates in or makes a loan, it shall specify conditions of repayment consistent with the following principles:

J.S. IV, 1
P.P. IV, 10(a) & (b)

(1) Interest payments and repayments of principal shall be in gold or the currencies of member countries other than that in which the project is located;

J.S. IV, 3
P.P. IV, 10(d)

(2) All interest payments and all repayments of principal, whether made in the currency of a member country or in gold, must be equivalent to the gold value of the loan and the interest thereon.

Part B. Alternative Payments.

With respect to any obligations held by it, the Bank, in lieu of payments in the medium specified in the Agreement creating the obligation, may, subject to subdivision (2) in Part A of this Section:

J.S. IV, 1
P.P. IV, 10(a) & (b)

(1) At any time accept gold or the currency of any member country other than that in which the project is located;

J.S. IV, 2
P.P. IV, 10(c)

(2) For limited periods of acute stringency in the specified medium of payment accept the currency of the member country in which the project is located, provided that the member country agrees to repurchase the currency on such terms as the Bank deems necessary to protect its interests.

7
Guaranteed for

Article IV.

Management

Section 1. Board of Directors.

J.S. VI
P.P. V, 1

Part A. Powers and Composition.

The administration of the Bank shall be vested in a Board of Directors consisting of one director and one alternate appointed by each member country in such manner as it may determine. Directors and alternates shall serve for five years, subject to the pleasure of their respective governments, and may be reappointed. Alternates may participate in all activities of the Board. The Board shall select from its members a chairman who shall serve for a period of two years.

I.M.F.
VII, 3A

Part B. Delegation of Powers.

The Board of Directors may delegate to any officer or committee of the Bank the exercise of any powers of the Board, except the power to amend this Agreement. Unless otherwise specified by the Board of Directors, delegated powers shall be exercised only until the next regular meeting of the Board, and shall be exercised in a manner consistent with the purposes and policies of the Bank and the general practices of the Board.

I.M.F. VII,
3E

Part C. Meetings.

Meetings of the Board of Directors shall be held not less than once a year.

I.A.B. By-laws,
3B

Part D. Compensation.

Directors and alternates shall serve as such without compensation from the Bank, but the Bank shall pay such reasonable expenses as are incurred by the directors and alternates in attending any meetings of the Bank or any committee of the Bank.

I.M.F. VII,
3D

Section 2. Voting.

P.P. V, 2(a)

P.P. V, 2(b)

I.M.F. VII,
3B

Each member country shall have one thousand votes plus one additional vote for each share of stock held, except that no country shall cast more than twenty-five per cent of the aggregate votes. The votes of each country shall be cast by its director but in his absence his alternate shall be entitled to cast them.

P.P. V, 1(c)

Except as provided in Article VII, all matters before the Board of Directors shall be decided by a majority of the votes cast.

~~[Omitted--sentence on polling directors without meeting]~~

Section 3. President.

P.P. V, 3;
I.M.F. VII, 4

The Board of Directors shall appoint and fix the compensation of a President of the Bank and one or more vice-presidents. The President shall be chief of the operating staff of the Bank and, unless otherwise a member of the Board of Directors, shall be a member ex officio. The President and vice-presidents shall hold office for four years and shall be eligible for re-election, but may be removed for cause at any time by the Board.

Section 4. The Executive Committee.

J.S. V, 1
I.M.F. VII,
5

Part A. Composition and Powers.

There shall be an Executive Committee consisting of the President and ten directors or alternates elected annually by the Board of Directors. The President shall be chairman. The Committee shall exercise all authority delegated to it by the Board and shall be in continuous session at the principal office of the Bank. In the absence of any member of the Committee, his alternate may act in his place. Whenever an alternate is elected to the Committee, the member country he represents shall appoint a second alternate whose sole function shall be to act as a member of the Committee in the absence of the director or regular alternate of such country. Members of the Committee shall be compensated by the Bank in an amount fixed by the Board.

Part B. Method of Election.

In the election of the Executive Committee, each director shall cast for one director all of the votes to which he is entitled under Section 2 of this Article. If the number of votes which may be cast by any director exceeds ten per cent of the aggregate votes, the excess, in units of ten per cent or such smaller amount as remains unexhausted, shall be cast for an additional member or members, one of whom may be an alternate. The ten persons receiving the greatest number of votes shall be members of the Committee, except that no person who receives less than eight per cent of the aggregate votes

I.M.F. VII, 5

shall be considered elected. When ten persons are not elected on the initial balloting, a second balloting shall be held in which there shall be eligible to participate only those directors who voted for a person not elected and those directors all or part of whose votes for a person elected are deemed to have raised the votes cast for such person above ten per cent of the aggregate votes. In determining whether any part of a director's votes raised the total of any person above ten per cent, there shall be considered as not forming part of the excess the votes of the director casting the largest number of votes for such person, then the votes of the director casting the next largest number, and so on until the total reaches ten per cent. Any director whose votes are partly not in excess and partly in excess shall be eligible to vote in the second balloting only to the extent of the votes in excess. If enough additional persons are not elected on the second balloting to bring to ten the total number each of whom has received at least eight per cent of the aggregate votes, further ballots shall be taken on the same principles until ten such persons have been elected, provided that after nine persons are elected the tenth may be elected by a simple majority of the remaining votes.

Part C. Majority Rule.

I.M.F. VII, 5

All matters before the Executive Committee shall be decided by a majority of the votes cast. Each member shall have one vote except that the Chairman shall be entitled to vote only when the votes of the other members are tied.

Section 5. Advisory Council.

P.P. V, 5

There shall be an Advisory Council of seven members, elected by the Board of Directors from outstanding representatives of banking, business, labor, and agricultural interests, who are citizens of member countries, but only one citizen of any country shall serve on the Council at any one time. The Council shall advise with the Board and the officers of the Bank on matters of general policy. The Council shall meet annually and on such other occasions as the Board may request.

J.S. V, 3

Members of the Council shall serve for two years, and may be re-elected. They shall be paid their reasonable expenses incurred in behalf of the Bank and they shall receive a remuneration fixed by the Board.

Section 6. Loan Committees.

New

The committees required to report on loans under Article III, Section 4, shall be appointed by the Board of Directors, except that each committee shall include an expert selected by the director representing the country in which the project is located, who may or may not be a member of the technical staff of the Bank. The majority of each committee shall be members of the technical staff.

P.P. IV,
1(c)

Section 7. Consultation with Other Agencies.

J.S. VI

The Bank shall consult with the International Monetary Fund and other international agencies participated in primarily by governments of member countries concerning policies and operations of the Bank which are of direct interest to such agencies.

Section 8. Location of Offices.

I.M.F.
IV, 1

The principal office of the Bank shall be located in the United States of America, but agencies or branch offices may be established in any member country or member countries under by-laws, rules or regulations promulgated by the Board of Directors.

Section 9. Quarterly Statements.

J.S. V, 3

The Bank shall publish quarterly, as of the last day of March, June, September, and December, a statement of its financial position and a profit and loss statement showing the results of its operations during the quarter.

[Second sentence on publishing other information transferred to miscellaneous powers.]

Section 10. Appropriation of Income.

New:
E.M.B.

For each fiscal year of the Bank, the income of the Bank from fees paid for its guarantees and its income from other sources shall be recorded in two separate accounts, against which the total expenses for the year shall be charged in proportion to the respective sizes of the accounts at the end of the year.

The entire balance then remaining in the guarantee account shall be credited to a reserve for the liability of the Bank on guarantees, but whenever the reserve exceeds twenty-five per cent of the total obligation of the Bank on guarantees outstanding at the end of the fiscal year, the Bank may add any part of the yearly balance to that in the account for other income.

The balance in the account for other income shall be appropriated as follows:

(a) An amount equal to at least one per cent of the total loans by the Bank outstanding at the end of the fiscal year shall be credited to a reserve for losses on loans, but whenever the reserve exceeds twenty-five per cent of the total loans outstanding at the end of the year, the Bank may utilize in the manner stated below any part of the amount which would otherwise be credited to the reserve;

(b) Twenty-five per cent of the balance remaining thereafter shall be credited to surplus, but whenever surplus exceeds twenty-five per cent of the par value of the authorized capital stock, the Bank may distribute the entire balance in the manner stated below;

(c) The balance shall be divided among member countries on the basis of the amount by which at the end of the fiscal year the amount paid on the par value of the shares of each country exceeds the amount of its currency held by the Bank. No distribution whatever shall be made if the paid-in capital of the Bank will be impaired.

P.P. V,
9(b)

Distributions of profits shall be payable in the currency of the receiving country or in gold, at the option of the Bank.

~~Committed—J.S. V, 4 and P.P. V, 9(a) providing merely that one-fourth of annual profits shall be credited to surplus and that dividends shall be in proportion to shares held.~~

Section 11. Meeting Losses.

R.B.C. 7(e)
(p. 8)

Losses of the Bank shall be met first from the appropriate reserve, including the current yearly addition thereto, then from surplus, and finally, as the Bank may determine, either from paid-in capital or from a call on the unpaid part of subscriptions on shares.

Section 12. Miscellaneous Powers.

I.M.F. VII,
8

In order to carry out its purposes and policies, the Bank, through the Board of Directors, shall have the following powers, without restriction upon those specified elsewhere in this Agreement:

- (1) To adopt, alter and use an official seal;
- (2) To make contracts;
- (3) To acquire, own, lease or dispose of such real and personal property as may be necessary to conduct the business of the Bank;

countries, voting in the same manner as for suspension, restore the country to good standing.

While under suspension, a country shall be denied the privileges of membership but shall be subject to its obligations.

Section 3. Settlement of Accounts with Countries Ceasing to be Members of the Bank.

Part A. Sale of Stock to Member Countries.

New

Any country which ceases to be a member of the Bank may, subject to the approval of the Bank, transfer any of its shares to any member country or countries. The proceeds of any such transfer shall be deposited with the Bank and shall be held by the Bank pending the settlement of accounts with the country ceasing to be a member.

Part B. Repurchases of Stock by the Bank.

J.S. VI, 3

When a former member country does not desire or is unable to make a transfer of any of its shares in accordance with Part A of this Section, within six months of the date on which it ceased to be a member, the Bank shall arrange to repurchase the shares as a part of the settlement of accounts with such country. The repurchase price of the shares shall be the amount actually paid thereon plus a pro rata share of any surplus existing on the date the country ceases to be a member of the Bank or minus a pro rata share of any impairment of capital existing on such date.

New

Part C. Return of Investment.

New

The release of proceeds of transfers deposited with the Bank under Part A of this Section and the payment for shares repurchased by the Bank under Part B of this Section shall be governed by the following provisions:

(1) Each release of the proceeds of transfers shall be made in the medium in which such proceeds were deposited with the Bank;

(2) Each payment for repurchased shares shall be made in gold and the currency of the country receiving payment in the same proportion as payments were made to the Bank on the shares, and any return attributable to surplus shall be in the currency of such country;

(4) To enter into such compromises or settlements of obligations due to or by the Bank as in the judgment of the Board are to the best interests of the Bank;

(5) To sue and be sued, complain and defend, in any court of competent jurisdiction;

(6) To select, employ and fix the compensation of such officers, employees, attorneys, and agents as shall be necessary to conduct the business of the Bank; to define their authority and duties, require bonds of them and fix the penalties thereof, and to dismiss at pleasure such officers, employees, attorneys, and agents;

(7) To promulgate, amend, and repeal by-laws, rules and regulations governing the manner in which the general business of the Bank may be conducted and the powers granted to the Board of Directors may be exercised and enjoyed, together with provision for such committees and the functions thereof as the Board may deem necessary for facilitating the business of the Bank;

(8) To collect and publish information germane to the purposes and policies of the Bank; and

(9) To exercise all incidental powers necessary and proper to carry out the powers now or hereafter expressly authorized in this Agreement.

Article V

Withdrawal and Suspension of Member Countries

Section 1. Right of Member Countries to Withdraw.

Any member country may withdraw from membership in the Bank at any time by serving written notice to that effect on the Bank at its principal office.

Section 2. Suspension of Membership.

A member country failing to meet any of its obligations to the Bank may be suspended from membership during the period of its default, by decision of a majority of the member countries, each of which for this purpose shall have one vote, to be cast by its director or alternate. At the end of one year from the date of suspension, the country shall automatically cease to be a member of the Bank unless a majority of the member

J.S. VI, 1
I.M.F.
VIII, 1

J.S. VI, 2
P.P. V, 8

New

countries, voting in the same manner as for suspension, restore the country to good standing.

While under suspension, a country shall be denied the privileges of membership but shall be subject to its obligations.

Section 3. Settlement of Accounts with Countries Ceasing to be Members of the Bank.

Part A. Sale of Stock to Member Countries.

New

Any country which ceases to be a member of the Bank may, subject to the approval of the Bank, transfer any of its shares to any member country or countries. The proceeds of any such transfer shall be deposited with the Bank and shall be held by the Bank pending the settlement of accounts with the country ceasing to be a member.

Part B. Repurchases of Stock by the Bank.

J.S. VI, 3

When a former member country does not desire or is unable to make a transfer of any of its shares in accordance with Part A of this Section, within six months of the date on which it ceased to be a member, the Bank shall arrange to repurchase the shares as a part of the settlement of accounts with such country. The repurchase price of the shares shall be the amount actually paid thereon plus a pro rata share of any surplus existing on the date the country ceases to be a member of the Bank or minus a pro rata share of any impairment of capital existing on such date.

New

Part C. Return of Investment.

New

The release of proceeds of transfers deposited with the Bank under Part A of this Section and the payment for shares repurchased by the Bank under Part B of this Section shall be governed by the following provisions:

(1) Each release of the proceeds of transfers shall be made in the medium in which such proceeds were deposited with the Bank;

(2) Each payment for repurchased shares shall be made in gold and the currency of the country receiving payment in the same proportion as payments were made to the Bank on the shares, and any return attributable to surplus shall be in the currency of such country;

(3) No release of the proceeds of transfers and no payment for repurchased shares shall be made except to the extent that the amount so released or paid exceeds the total outstanding obligations of the receiving country to the Bank on loans to such country or its nationals guaranteed, participated in or made by the Bank;

(4) At the end of each fiscal year of the Bank, there shall be paid to each country which has ceased to be a member of the Bank a portion of the amount to be paid on account of shares repurchased which bears the same ratio to the total amount to be paid as the amount of the loans and guarantees of the Bank existing on the date the country ceased to be a member which terminated during the preceding period (the period being the fiscal year of the Bank or the time between the cessation of membership and the end of the fiscal year of the Bank) bears to the total amount of such loans and guarantees outstanding on the date the country ceased to be a member of the Bank, but no payment shall be made except to the extent that it exceeds the amount unpaid on any assessments levied under (5) below;

(5) The Bank shall levy upon each country from which it has repurchased shares, assessments totalling not more than the par value of the shares resold, to meet losses on loans and guarantees outstanding on the date the country ceased to be a member of the Bank, and the amount of each such assessment shall be determined by ascertaining the proportion of the total paid-in capital on that date represented by such shares, allocating the appropriate portion of the loss to such shares, and reducing the amount of the assessment by that portion of the reserve for losses on guarantees or the reserve for losses on loans, as the case may be, which accumulated prior to cessation of membership and was attributable to such shares; and

(6) If at the time an assessment is made on any country, the total amount unpaid in the repurchase price of its former shares is insufficient to meet the assessment, the country shall pay the deficiency to the Bank in gold and its own currency in the proportions provided in Article II, Section 4, Part C.

Part D. Dividends.

New
A former member country shall be entitled to participate in accordance with Article IV, Section 10, in any dividends declared out of earnings of the Bank, in proportion to the unpaid part of the repurchase price of its former shares, but the amount of such dividends shall be reduced by the difference between one hundred per cent and the quotient of the total amount of loans and guarantees of the Bank which were outstanding on the date the country ceased to be a member and are still outstanding, divided by the total amount of loans and guarantees outstanding on the date such dividends are declared.

Article VI.

Additional Undertakings on the Part of Member Countries

Section 1. Purpose and Scope of Additional Undertakings.

I.M.F.
IX, 1
In order to support the activities of the Bank and to foster the accomplishment of its purposes and policies, each member country, in addition to commitments appearing elsewhere in this Agreement, undertakes the performance of and agrees to the stipulations set forth in this Article, all of which, except as otherwise specified, shall remain binding during suspension or after cessation of membership.

Section 2. Exemption of Assets from Restrictions.

P.P. II, 8
I.A.B.,
Conv. II A
The Bank and all its assets, wheresoever located and by whomsoever held, shall be exempt and immune from any exchange, debt, or export controls, and any other like restrictions, except such as are consented to by the Bank.

Section 3. Exemption from Attachment.

I.M.F.
IX, 7
The Bank and all its assets, wheresoever located and by whomsoever held, shall be exempt and immune from attachment, requisition, seizure, execution, confiscation, moratorium and expropriation; provided, however, that the foregoing shall not prevent any member country or agency or national thereof from attaching or levying execution, subject to any prior lien or claim of the Bank, upon admitted or adjudicated claims against the Bank or upon property admitted or adjudicated to be held by the Bank for such member country or agency or national.

Section 4. Exemption from Taxation.

I.M.F. IX, 6

The Bank and all its assets; its activities, transactions and operations; any obligations issued by the Bank, including dividends or interest thereon, by whomsoever held; any remunerations or salaries paid by the Bank; shall be exempt and immune from all taxation, including, without limitation of the foregoing, excises, duties and imposts; provided, however, that the foregoing shall not prevent the imposition by any member country or any political sub-division or taxing authority of any member country of non-discriminatory taxes upon nationals of such member country with respect to any of the foregoing.

Section 5. Exemption from Securities Regulations.

I.A.B.
Conv. II E

The issue or sale by the Bank of any shares of stock or any notes, debentures, bonds, and other securities and obligations shall be exempt and immune from any restrictions, regulations, controls, or prohibitions with respect to the registration, issue, or sale of stock or other securities.

Section 6. Furnishing of Information to the Bank.

P.P. V, 13

Each country, so long as it is a member, shall furnish the Bank with all information necessary for the operations of the Bank in the form and at the times requested by the Bank.

Article VII

Amendments

I.M.F., XI

Any member country which desires to introduce modifications in this Agreement shall communicate its proposals to the Bank. The Board of Directors, if four-fifths of the aggregate votes deem it advisable, shall prepare a protocol, by dated circular letter, to the governments of all the member countries, asking whether they accept the proposed modifications. The accession of the government of a member country will result either from explicit approval given to the Bank or from the fact that it refrains from notifying the Bank of any objections within six months from the date of the circular letter above referred to. When the expressed or tacit accessions include the governments of member countries having four-fifths of the aggregate votes, the Bank shall certify the fact by means of a proces verbal which it shall communicate to the governments of all the member countries. The protocol will enter into force between all the member countries after a period of three months from the date of the proces verbal.

Article VIII

Interpretation and Definitions

Section 1. Interpretation.

I.M.F. XII,
1

All disagreements between two or more member countries concerning the interpretation of any of the provisions of this Agreement or of any amendments thereto, or of any rules, regulations or by-laws promulgated by the Bank, shall be settled by the Bank.

Section 2. Definitions.

I.M.F. XII,
2

(1) The term "currency" means every form of medium of exchange used within a member country which is defined in terms of the monetary unit of such country, including without limitation:

(a) All paper money and coin issued or coined in accordance with the laws of such country;

(b) All demand deposits in banks within such country; and

(c) All bills, notes or other form of indebtedness described in Article III, Section 2.

(2) The term "gold-convertible currency" means any currency as defined above which, for the purpose of settling international balances, may be readily exchanged for gold through official channels in the country issuing such currency.

(3) The term "gold-convertible securities" means all demand obligations issued by the national government of any country or by a corporation wholly owned by such a government which, for the purpose of settling international balances, may be readily exchanged for gold through official channels in the country issuing such currency.

(4) The term "official holdings" means the holdings of a member country's government and central bank, and of any governmental department, agency, establishment or corporation; without reduction for any liabilities, whether such liabilities are actual or potential, general or specific, external or internal.

Section 3. Approval Deemed Given.

I.A.B.
By-laws
6, C

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

Article IX

Final Provisions

Section 1. Acceptance of Membership in the Bank.

I.M.F.
XIII, 1

This Agreement shall be presented by the delegates to their respective governments for acceptance of membership. Each government that accepts membership shall, as soon as possible, deposit evidence of its acceptance with the Government of the United States of America, which shall transmit certified copies of all evidences of acceptance to the governments of all the countries that sent delegates to the meeting at which this Agreement was concluded.

The Government of the United States of America shall also notify by telegram, cablegram or radiogram the governments of all such countries immediately upon the deposit with it of each evidence of acceptance.

Section 2. Effective Date of the Convention.

As soon as the evidences of the acceptance of the United States of America, the United Kingdom, the Union of Soviet Socialist Republics, the Republic of China, and ten of the other countries that sent delegates to the meeting at which this Agreement was concluded have been deposited, this Agreement shall come into force in respect of the said countries.

Thereafter this Agreement shall come into force between the countries which shall have accepted membership and each country which subsequently deposits its evidence of acceptance on the date of such deposit.

Section 3. Calling the Initial Meeting of the Bank.

Immediately after receipt of the evidences of acceptance of the countries referred to in the first paragraph of Section 2 of this Article, the Government of the United States of America shall invite to the initial meeting of the Bank, to be held in Washington thirty days after the date of said invitation, all of the countries which shall have accepted membership in the Bank.

Section 4. Participation in Initial Meeting.

Member countries shall be entitled to participate in the initial meeting regardless of whether they have made the initial payment on their subscriptions to stock.

Section 5. Business at the Initial Meeting.

At the initial meeting ~~the~~ Bank, in addition to taking any other action which it deems appropriate, shall set a date for the operations

of the Bank to begin.

Section 6. Expiration of Final Provisions.

Sections 1 and 2 of this Article shall expire on December 31, 194 .

In faith whereof the respective delegates have signed this Agreement.

Done at Washington the day of , nineteen hundred and forty-four, in a single copy, which will remain deposited in the archives of the United States of America; and of which certified copies will be transmitted through the diplomatic channel to the other countries ^{represented in} [that sent delegates to] the meeting at which this Agreement was concluded.