



RULES AND REGULATIONS OF THE AIIB SPECIAL FUND WINDOW FOR LESS DEVELOPED MEMBERS

WHEREAS:

- (a) The Asian Infrastructure Investment Bank (the Bank or AIIB) is empowered by Article 17.1 of its Articles of Agreement (the "Bank's Articles") to establish and administer Special Funds and carry out special operations financed from such Special Funds.
- (b) The Bank, on May 7, 2020 established the AIIB Special Fund Window under the COVID-19 Crisis Recovery Facility (the Fund) to reduce the financial burden of AIIB's lower-income members to access financing under the COVID-19 Crisis Recovery Facility (the Facility). The Rules and Regulations applicable to the Fund were also adopted on May 7, 2020 governing the establishment and operation of the Fund.
- (c) Recognizing the success of the Fund in serving the Bank's purposes within its functions, especially with respect to Article 2 of the Bank's Articles to give special regard to the needs of less developed members in the region, the Bank's Board of Directors decided to extend the scope of the Fund beyond the Facility to continue serving the purposes of the Bank.
- (d) Recognizing the financing needs of all its less developed members, and also recognizing the practical considerations necessitating a selective and gradual approach to operationalization, the Bank intends to begin serving a narrower set of less developed members and to review a broadening of the range of eligible members that can be served after a level of operational maturity is reached and an appropriate allocation approach has been put in place.
- (e) To this end, on March 23, 2022, the Board of Directors of the Bank approved the renaming of the Fund as the Special Fund Window for Less Developed Members, and the replacing of the Rules and Regulations applicable to the Fund with the Rules and Regulations of the AIIB Special Fund Window for Less Developed Members to read as follows.

ARTICLE I – THE FUND

Section 1.1 Application of Rules and Regulations

The Fund and the resources thereof shall be governed by, and such resources shall be received, administered, used and disposed of in accordance with these Rules and Regulations, as may be amended from time to time pursuant to Section 6.1 of these Rules and Regulations.

Section 1.2 Administration of the Fund

- (a) Subject to the express provisions of these Rules and Regulations and any relevant decision of the Board of Directors, the respective functions of the Board of Directors, the President, the Vice Presidents, the officers and the staff members of the Bank in carrying out the responsibilities and exercising the powers of the Bank with respect to the Fund, and the procedures to be followed in the exercise of such functions, shall be the same as those which apply in similar circumstances in the ordinary operations of the Bank.
- (b) Consistent with these Rules and Regulations, the President may adopt such guidelines and operating procedures, as shall be considered necessary or appropriate for the efficient administration of the Fund.

ARTICLE II – RESOURCES OF THE FUND

Section 2.1 Types of Resources

The resources of the Fund shall consist of:

- (a) Amounts transferred by the Bank from its Project Preparation Special Fund (PPSF).
- (b) Amounts received by the Bank for inclusion in the Fund, as provided in Section 2.3.
- (c) Income derived from investment of the resources of the Fund in accordance with Section 4.4 of these Rules and Regulations.
- (d) Funds reimbursed to the Fund, if any.
- (e) Other sources as decided by the AIIB Board of Directors.

Section 2.2 Contributors and Contribution Agreements

- (a) Any member of the Bank, any of its political or administrative subdivisions, or any entity under the control of the member or such subdivisions, or any other entity so decided by the Board of Directors, may become a contributor (a “Contributor”) to the Fund by entering into a contribution agreement with the Bank (the “Contribution Agreement”) in the form attached as Annex A, which shall provide, among others, the amount of resources (the “Contribution”) contributed by the Contributor to the Fund.

- (b) By signing a Contribution Agreement, the Contributor shall accept the application of these Rules and Regulations to the resources contributed under such Contribution Agreement. In the event of any inconsistency between a Contribution Agreement and these Rules and Regulations, these Rules and Regulations shall prevail.

Section 2.3 Amount and Payment of Contributions

- (a) A Contribution shall be in an amount of US Dollars one million (USD1,000,000) or multiples thereof.
- (b) Each Contribution shall be paid in US Dollars or the currency provided for in the Contribution Agreement upon request by the Bank and shall be made available in cash.
- (c) A Contributor may at any time propose an increase in the amount of its Contribution. Subject to the Bank's acceptance, such increase is effected by amending the relevant Contribution Agreement or by entering into another Contribution Agreement. The provisions of these Rules and Regulations relating to Contributions shall apply equally to increased amounts so contributed.

ARTICLE III – USE OF THE RESOURCES OF THE FUND

Section 3.1 Use of the Resources of the Fund

The resources of the Fund shall be used, on a grant basis, to buy down the interest (Interest Buy-Down) due under sovereign-backed loans (SBL) extended to eligible Bank Members (Eligible Members) for eligible projects as specified in Section 3.3 of these Rules and Regulations. The grants from the Fund resources shall only be used in conjunction with such SBLs.

Section 3.2 Policy and Procedures

In using the resources of the Fund, the Bank shall apply the same internal policies and procedures as are applied when administering other grants from its ordinary resources.

Section 3.3 Eligibility Criteria

- (a) Member Eligibility. The following Bank Members, at the time when the decision to extend a SBL is made by the Bank, are eligible for Fund resources: (a) Members that are eligible to receive financing from the International Development Association (IDA) and determined as IDA-only; and (b) on an exceptional basis, and in situation of severe natural disasters, Members that are eligible to receive financing from IDA, and determined as IDA-blend.
- (b) Project Eligibility. Any SBLs extended by the Bank, except for the policy-based SBLs.

Section 3.4 Approval Authority

The approval authority applicable to the corresponding SBLs financed by the Bank through its ordinary resources shall apply for the approval of grants from the Fund resources.

ARTICLE IV – ADMINISTRATION OF THE RESOURCES OF THE FUND

Section 4.1 Principles

The administration and use of the resources of the Fund shall be the responsibility of the Bank.

Section 4.2 Separation of Fund Resources from Ordinary Resources

- (a) In accordance with Article 10.2 of the Bank's Articles, the resources of the Fund shall at all times and in all respects be held, used, committed, invested or otherwise disposed of entirely separately from the ordinary resources of the Bank.
- (b) In accordance with Article 10.3 of the Bank's Articles, under no circumstances shall the ordinary resources of the Bank be charged with, or used to discharge, losses or liabilities arising out of Fund's special operations or other activities for which resources of the Fund were originally used or committed.

Section 4.3 Pooling of Fund Resources

The resources of the Fund shall be managed as a single pool, irrespective of the date such resources are transferred to the Fund.

Section 4.4 Investment

The Bank may invest any resources of the Fund which are not immediately required for use under Article III of these Rules and Regulations in accordance with the Bank's usual Treasury management practices applicable to Special Fund resources; such practice may include placing money in an interest-bearing account without any active management by the Bank. Any income derived from such investments (including interest) shall be promptly credited to the resources of the Fund and be used in accordance with these Rules and Regulations.

Section 4.5 Administrative and Other Expenses

- (a) In compliance with Article 17.1 of the Bank's Articles which requires that the full cost of administering any Special Fund be charged to that Special Fund, the Bank shall charge an administration fee based on the principle of full cost recovery on the amounts received to the Fund pursuant to Section 2.1 (b) of these Rules and Regulations, except for the amounts received to the Fund pursuant to Section 2.1 (a) of these Rules and Regulations.
- (b) In compliance with Article 10.4 of the Bank's Articles, the Fund shall bear all expenses appertaining directly to operations of the Fund. Any other expenses shall be charged as the Bank shall determine.
- (c) The Bank shall debit from the resources of the Fund and credit to the Bank's ordinary resources all fees and expenses payable to it in connection with the operations financed out of the resources of the Fund.

Section 4.6 Valuation of Currencies

Whenever it shall be necessary to determine the value of any currency in terms of another currency or of the unit of account of the Bank, the valuation shall be reasonably made by the Bank, applying as far as practicable the principles applicable to valuation of currencies forming part of the ordinary resources of the Bank.

Section 4.7 Accounts and Audit

- (a) The Bank shall maintain accounts of the Fund in accordance with the Bank's accounting policies. The accounts of the Fund shall be prepared and presented in US Dollars.
- (b) Special operations financed from the resources of the Fund shall be presented in financial statements separately from the Bank's ordinary operations and special operations financed from other Special Funds or trust funds.
- (c) The accounts of the Fund shall be audited by internal and external auditors of the Bank in accordance with the same audit requirements as are applied to the accounts of the Bank's ordinary resources.

Section 4.8 Reports

- (a) The Bank shall report on the Fund as part of its Special Funds resources.
- (b) The Bank shall provide a report on the Fund at the termination of the Fund to the Contributors.

Section 4.9 Review

The operation of the Fund shall be reviewed periodically as decided by the Board of Directors.

ARTICLE V – TERMINATION

Section 5.1 Termination of the Fund

- (a) Unless the situation and context otherwise require, the Fund shall terminate upon the payment of all grants approved in respect of SBLs.
- (b) The Fund shall terminate automatically upon termination by the Bank of its operations pursuant to Article 41 of the Bank's Articles.

Section 5.2 Disposal of Resources on Termination of the Fund

Upon termination of the Fund pursuant to Section 5.1, the following provisions shall apply with respect to the resources of the Fund:

- (a) The Bank shall forthwith cease all activities relating to such resources, except those incidental to the orderly realization, conservation and preservation of such resources and the settlement of the direct and contingent obligations to which they may be subject.

- (b) Subject to subsection (c), the Bank shall distribute the total net assets at the time of termination among the Contributors in proportion to the Contributions made available by them to the Fund. Such distribution shall be effected at such times, in such currencies and in such types of assets as the Bank shall deem fair and equitable. Distribution need not be uniform as to type of asset or as to currency.
- (c) No distribution shall be made until liabilities to creditors (including liabilities to the Bank in respect of administration fees) shall have been discharged or provided for. Any distribution to a Contributor (referred to in Section 2.2(a) of these Rules and Regulations) shall be subject to prior settlement of all outstanding claims by the Bank against such Contributor in respect of the amounts provided by it to the Fund.
- (d) Until final distribution of the total net assets, all rights and obligations of the Bank and of Contributors under these Rules and Regulations shall continue unimpaired.

Section 5.3 Disposal of Reimbursed Resources after Termination of the Fund

Reimbursement of any resources originally provided from the Fund in pursuant to 2.1.(b) shall be credited to the PPSF after the termination of the Fund.

ARTICLE VI – AMENDMENTS AND DISPUTE RESOLUTION

Section 6.1 Amendments

These Rules and Regulations may be amended by a decision of the Board of Directors.

Section 6.2 Dispute Resolution

If a disagreement arises between the Bank and a Contributor, referred to under Section 2.3 of these Rules and Regulations, concerning any matter arising out of or in connection with the contribution agreement of that Contributor, and such dispute cannot be settled by consultation between the parties, such disagreement shall be settled by arbitration in accordance with the United Nations Commission on International Trade Law (UNCITRAL) Arbitration Rules (in force as at the date of these Rules and Regulations) and pursuant to Section 1.06 of the Contribution Agreement.

Annex A. Contributions Agreement

CONTRIBUTION AGREEMENT
BETWEEN
[CONTRIBUTOR]
AND
ASIAN INFRASTRUCTURE INVESTMENT BANK
IN RESPECT OF
SPECIAL FUND WINDOW FOR LESS DEVELOPDED MEMBERS
DATED [...]

THIS CONTRIBUTION AGREEMENT (the “Contribution Agreement”) is made between [...] (the “Contributor”) and the Asian Infrastructure Investment Bank (the “AIIB” or the “Bank”), jointly referred to hereinafter as the “Parties” and each a “Party”, in respect of the Contributor’s commitment and contribution to the Special Fund Window for Less Developed Members (the “Fund”).

WHEREAS

- (A) AIIB has established the Fund in accordance with the Rules and Regulations of the Special Fund Window for Less Developed Members dated [...] (the “Rules and Regulations”).
- (B) The Contributor wishes to make a contribution to the Fund, the resources of which shall be accepted, held, managed, administered, used, committed, expended or otherwise disposed of by the Bank in accordance with the Rules and Regulations and this Contribution Agreement.
- (C) The Parties have agreed to conclude this Contribution Agreement, as required by Section 2.2 of the Rules and Regulations;

NOW THEREFORE the Parties hereto agree as follows:

Section 1.01 Contribution

- (a) The Contributor hereby contributes an amount of [...] million United States Dollars (US\$ [...]) (the "Contribution") to the Fund.
- (b) The Contribution shall be paid, in cash, in [...] instalments as follows:
 - 1. The first instalment in an amount of [...] million United States Dollars (US\$ [...]) shall be paid not later than [date], upon entry into force of this Contribution Agreement and submission of request for payment by the Bank;
 - 2. [...]
- (c) The Contribution shall be paid in US Dollars. Payment of each instalment shall be made by the Contributor to the bank account specified by the AIIB's request for payment within 30 (thirty) days of receipt of AIIB's request.

Section 1.02 Use and Administration of the Contribution

- (a) The Contribution shall be used and administered in accordance with the Rules and Regulations of the Fund.
- (b) In accordance with the provisions of Section 4.5 of the Rules and Regulations of the Fund, the Bank shall receive an administration fee equal to [x]% ([x] per cent) of the amount of the Contribution. A proportionate amount of such administration fee shall be debited from each instalment of the Contribution paid in by the Contributor and credited to the Bank's ordinary resources.

Section 1.03 Application of the Rules and Regulations

The Contributor hereby:

- (a) acknowledges receipt of a copy of the Rules and Regulations, as in force on the date of entry into force of this Agreement; and
- (b) agrees that the Rules and Regulations shall apply to this Agreement and the Contribution, as if incorporated herein in full.

Section 1.04 Notices

All matters relating to the implementation of any Fund document shall be addressed to the following authorized representative of each Party:

- (a) For the Contributor:
[...]
- (b) For the Bank:
[...]

Section 1.05 General

- (a) All capitalized terms used in this Agreement have the meaning attributed to them in the Rules and Regulations, which shall take precedence over this Agreement.

- (b) The Contributor shall do and execute all such further acts, as are required to give full effect to the rights and obligation, as specified and the transactions contemplated by the Rules and Regulations and this Agreement.
- (c) Nothing in this Agreement shall constitute or be construed as constituting, a waiver, express or implied, of any of the immunities, privileges and exemptions enjoyed by the Bank, its Directors, Alternates, Officers, employees or experts.
- (d) This Agreement shall enter into force on the date when the last of the Parties signs it and shall remain in force for a period of 10 (ten) years following the date of its entry into force.

Section 1.06 Governing law

In case of dispute between the Bank and the Contributor, the law to be applied by the arbitral tribunal in accordance with Section 6.2 of the Rules and Regulations shall be international law, the sources of which are taken for these purposes to include:

- (a) the Articles of Agreement of the Bank and any relevant treaty obligations that are binding reciprocally on the parties;
- (b) the provisions of any international conventions and treaties (whether or not binding directly as such on the parties) generally recognized as having codified or ripened into binding rules of customary law applicable to states and international financial institutions, as appropriate;
- (c) other forms of international custom, including the practice of states and international financial institutions of such generality, consistency and duration as to create legal obligations; and
- (d) applicable general principles of law.

Signed in the English language, in two originals, one for each of the Parties,

For the Contributor:

For the Bank:

Name:
Title:

Name:
Title: