

The World Bank
Washington, D.C. 20433
U.S.A.

From: The President

November 8, 2012

Amendments to the General Investment Authorizations
of the Bank and the Association

1. Management is proposing a change to the General Investment Authorizations (“GIA”) of the Bank and the Association (Resolution Nos. 2008-0015 and IDA2008-0009, respectively) to add the ability to engage in certain collateralized investment transactions. The GIA for the Bank is also being revised to remove the authorization for direct equity investments as a result of the liquidation of the Long Term Investment Portfolio (“LTIP”). A few other changes are included for clarification of the existing authority.

I. Transactions Involving Collateral Assets

2. Given the current low interest rate environment, the Investment Management Department in the Treasury has been searching for additional investment opportunities. Treasury believes that certain collateralized transactions related to assets that are not independently eligible for investment – including marketable bonds, equities, and commodities, hereinafter referred to as “Collateral Assets” – offer the ability for enhanced or similar investment yields, in some cases at lower risk. Management is not proposing direct investments in these Collateral Assets. Instead, management proposes to engage in transactions that include a combination of a matched forward sale transaction and interim margin arrangements that will protect the Bank and the Association against market risk associated with underlying price movements in the relevant Collateral Assets. Such transactions may be executed and legally documented in a variety of different ways, including as swap, repurchase, resale, and securities lending transactions.¹

3. As background, the Bank has engaged in securities lending, resale or reverse repurchase transactions, and swaps since the early 1980s, and repurchase transactions since the early 1990s. All of these transactions, when undertaken for investment management purposes, have certain key features. First, each such transaction involves an initial exchange of cash for securities or other assets, with a matching forward sale or

¹ While Treasury expects that these transactions will be executed and legally documented as described above, the proposed language in paragraph 1(j) of the GIA for the Bank and the Association also authorizes equivalent transactions, as long as such transactions meet the criteria described therein. For example, it is possible that such a transaction could be executed as a collateralized deposit with an authorized bank.

exchange obligation. The price for the subsequent exchange is set at the outset of the transaction, either as a fixed price on a given date or under a pre-agreed formula for transactions that are terminable upon notice by the parties. Second, the risk that the value of the underlying asset in the transaction (i.e., the Collateral Asset) will decline during the term of the transaction is borne by the counterparty. The forward sale price is fixed and unconditional, and it does not matter whether the market value of the underlying asset has increased or decreased during the term of the transaction. Finally, each such transaction provides for some form of margin to provide further protection against market price movements, including initial margin, variation margin during the term of the transaction, or both.²

4. The market standard legal agreements covering these transactions provide that the Bank (or the Association, as the case may be) has the right to close out all outstanding transactions in the event of a counterparty default or insolvency, and to exercise its rights over the underlying assets (i.e., the Collateral Assets in the case of the proposed transactions). The Bank may enter into replacement transactions with other counterparties as it sees fit. The Bank may also exercise its rights over any margin provided by the counterparty, in order to cover costs involved in arranging replacement transactions or otherwise cover its net exposure.

5. To date, the Bank and the Association have only engaged in swap, repurchase, resale, and securities lending transactions related to investments when *both* (1) the underlying asset covered by the transaction was an eligible investment under the GIA, *and* (2) the counterparty to the transaction met the credit quality requirements of the Bank and the Association. Given all of the protections embodied in these transactions, this dual requirement is somewhat redundant.

6. The Investment Management Department has determined that there is a potential for higher risk adjusted yields by engaging in the types of transactions described above involving Collateral Assets such as corporate bonds, municipal bonds, public equities, and commodities that are not otherwise eligible for direct investment under the GIA, either because they are not authorized investments described in paragraph 1 (in the case of public equities (once the LTIP liquidation is taken into account) and commodities) or because they do not meet the criteria set forth in paragraph 4 (in the case of investment grade corporate bonds and municipal bonds).

7. The Bank has previously engaged in investment transactions involving bonds and equities, but commodities transactions would be new. Accordingly, it may be useful to provide some additional information about how commodities could be the subject of collateralized investment transactions. The Bank has been active in the gold borrowings

² Margin is also commonly referred to as collateral in connection with some of these transactions. For purposes of clarity, this paper uses the term “collateral” in the phrase “Collateral Assets” to describe the underlying assets that are exchanged for cash or investment securities at the outset of a transaction, and “margin” to describe the arrangements that are designed to protect against market movements in the price of the Collateral Assets, whether initial margin collected at the outset (a “haircut”) or variation margin collected during the term of a transaction to deal with interim market movements.

market since 2000, when the Executive Directors authorized entry into structured financing transactions involving commodities.³ Pursuant to this authorization, the Bank entered into gold borrowing transactions, which were simultaneously swapped into conventional floating rate debt terms. The gold was transferred to swap counterparties in return for the equivalent value in US dollars, and the swap counterparties covered all interest payments due on the gold borrowing against a floating rate US dollar payment by the Bank, thus eliminating any commodity-related risk. The Bank set up appropriate infrastructure for transactions in the gold market, including a gold account at the Bank of England, and developed the ability to mark such transactions to market. Building on the bilateral gold borrowing model that was traditionally used in the gold market, the Bank pioneered a novel gold bond transaction. The market for gold borrowings has ebbed and flowed over the years, primarily depending on the relationship of the gold borrowing and swap rates to other market interest rates.

8. Due to such changes in the rates available in the gold market, Treasury now sees an opportunity to engage in the same transactions – but from the position of an investor rather than as a borrower. Under these transactions, the Bank (or the Association, as the case may be) will pay cash or lend its securities and receive a fixed amount of gold or other commodities from an approved counterparty at the spot market price, which the Bank (or the Association) will hold in a commodities account in its name. The Bank (or the Association) will simultaneously enter into a forward sale transaction with its counterparty, under which the Bank (or the Association) will return the relevant commodities to the counterparty in return for a pre-agreed price, determined on the basis of forward rates in the relevant commodity market (in the case of gold, the gold forward or “GOFO” rate). The counterparty will have a legally-binding, unconditional obligation to pay the agreed forward price at the end of the transaction, regardless of whether the market price of the commodity has increased or decreased during the term of the transaction. In addition, if the price of the relevant commodity declines during the course of the transaction, the Bank (or the Association) will be entitled to receive margin from the counterparty. Under these circumstances, the Bank (or the Association) would not be exposed to price volatility in the underlying commodities markets.

9. In the gold market, such transactions are generally documented as swaps under ISDA Master Agreements and related Credit Support Annexes. In addition to the legal agreements, the ISDA Definitions and other supplementary materials include terms and conditions for gold and other commodity transactions which are the market standard. Treasury expects to enter into gold and other commodity swap transactions under existing ISDA Master Agreements with approved counterparties. Given Treasury’s years of experience and demonstrated expertise in the gold borrowings market, management proposes that the Bank and the Association be authorized to enter into equivalent swap transactions for investment purposes. The Bank and the Association already make

³ See “Commodity Related Structured Financing” (R2000-148), dated July 21, 2000. This proposal required amendments to the General Borrowing Authorization and the General Liability Management Authorization, which were approved on an absence of objection basis on August 1, 2000. While gold was the main commodity of interest at the time, the paper also referenced silver, platinum, and palladium, all of which were covered by general references to “commodities” in the revised Authorizations.

extensive use of derivatives for hedging purposes in connection with various investments.⁴

10. While the Investment Management Department in the Treasury and the Market and Counterparty Risk Department in the Corporate Finance and Risk Management VPU have concluded that transactions involving Collateral Assets as described above represent a reasonable extension of the investment authority of the Bank and the Association, they are not without risk. The Bank or the Association would be exposed to a risk of loss if all of the following conditions were met at the same time: (1) a counterparty became insolvent or otherwise defaulted, (2) the market value of the Collateral Assets the Bank (or the Association) was holding declined below the initial purchase or transfer price, either before or immediately after the counterparty default, and (3) the Bank (or the Association) was not holding sufficient margin to compensate for the decline in the price of the Collateral Assets. It should be noted that the Bank and the Association are exposed to the same risks in respect of currently-authorized securities lending, resale or reverse repurchase, and swap transactions related to investments, although both institutions would be holding assets that are independently eligible for investment in the event of a counterparty default today.

11. These risks would be mitigated in several ways. First, counterparty credit standards would remain the same as they are today, and transactions involving Collateral Assets would be conducted only with highly-rated counterparties approved by Group Chief Financial Officer, as provided in paragraph 4(f) of the GIAs of the Bank and the Association.⁵ It is worth noting that the Bank and the Association are currently authorized to conduct *uncollateralized* transactions (e.g., bank deposits) with these counterparties – the proposed changes would simply allow a new form of *collateralized* transactions with the same approved counterparties. Second, transactions involving Collateral Assets would only be conducted for assets that are determined to be marketable. In the event of a counterparty insolvency, the Bank (or the Association) would be holding bonds, equities, or commodities that are not themselves eligible for direct investment, and would need to liquidate those positions in an orderly fashion – hence the need to ensure that such Collateral Assets are readily marketable. (Aside from holding Collateral Assets pending disposition in the unlikely event of a counterparty insolvency, the proposed changes do not authorize the Bank or the Association to purchase, hold, or sell any such assets.) Third, the Bank (and the Association) would only enter into transactions for which the operational capacity to buy, hold, value, and sell the relevant Collateral Assets is already in place.

⁴ See, e.g., “Extension of Swap Transactions as Investment Tools” (R2000-233), dated December 18, 2000, approved by the Executive Directors on an absence of objection basis on January 3, 2001.

⁵ In approximately 30 years of engaging in swap, repurchase, resale, and securities lending transactions, the Bank has experienced one counterparty insolvency, which occurred during the financial crisis in 2008. Since that time, the Bank has enhanced its credit analysis capacity by creating and augmenting the staff of the Market and Counterparty Risk Department in the Corporate Finance and Risk Management VPU. It has also improved its operational capacity to mitigate counterparty credit risk, such as moving to more frequent mark-to-market valuations and collateral calls on swap transactions.

12. The ability to engage in transactions involving Collateral Assets would provide more options to the Investment Management Department in an increasingly constrained investment universe. Such transactions are not a panacea for the current interest rate environment. However, they offer the reasonable prospect of enhanced returns and/or reduced risk in dealing with existing approved counterparties, and will also provide diversification benefits.

II. Other Changes

13. Given the Board's recent decision to liquidate LTIP, the Bank's GIA is being amended to remove the authorization for equity investments, as well as other LTIP-related provisions. This is a matter of good practice, to keep the Bank's GIA aligned with the current authorizing environment. If LTIP is revived in the future, any necessary changes to the Bank's GIA can be made at the time of the overall Board approval of LTIP renewal.

14. Certain other technical changes are included for clarity. Paragraph 1 in the GIAs for the Bank and the Association is being amended to add a new sub-paragraph that expressly covers repurchase and resale transactions involving securities; while these transactions have been authorized and conducted under paragraph 1(a) ("the purchase and sale of marketable bonds") for decades, some counterparties have expressed a desire to see a specific mention of such transactions. Reference to "international financial institutions and central banks" is being added to Paragraph 1(b) in the GIAs for the Bank and the Association to clarify the eligibility of such entities in the context of deposit investments. Similarly, Paragraph 4(b) in the GIAs for the Bank and the Association is being amended to clarify the application to central banks and international financial institutions that are not rated and do not issue debt securities. While no external manager engagement is contemplated currently, reference to the approval by the Vice President and Treasurer in Paragraph 5 in both GIAs is being removed to reflect the existing governance and delegation structure and to eliminate misinterpretation with respect to responsibilities of implementation of the individual external manager engagements, including the signing of the related legal agreements (which are typically delegated to the Director, Investment Management Department). Paragraph 7 of the Bank's GIA is being revised to make it clear that the duration limits set forth in paragraph 4(g) – which link the duration of Investments to the Bank's liabilities (i.e., its borrowings) funding the portfolio – do not apply to funds administered by the Bank for the account of other parties (primarily trust funds), to the extent that such Investments are not funded by liabilities in the first place. Finally, references to the Director, Treasury Operations Department are added in Paragraph 8 of the GIA of the Bank and Paragraph 7 of the GIA of the Association to reflect the operational role of the Treasury Operations Department in connection with investment activities of the Bank and the Association.

III. Conclusion and Recommendations

15. Management believes that the changes set forth above would enhance investment opportunities for the Bank and the Association. Accordingly, management recommends that the above referenced General Investment Authorizations of the Bank and the Association be amended by adoption of the amendments set forth in Attachments A and B, respectively, hereto.

Jim Yong Kim
President
By Charles A. McDonough

Attachments

INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT

RESOLUTION NO. 2012-xxx

General Investment Authorization

WHEREAS it is desirable that the International Bank for Reconstruction and Development (the "Bank") invest all or any part of the monies held by it from time to time and not immediately required for use in its operations;

NOW THEREFORE BE IT RESOLVED AS FOLLOWS:

1. Subject to any governmental approval required and to the limitations set forth in paragraph 4 of this Resolution, the Bank is hereby authorized to enter into any of the following transactions:

- (a) the purchase and sale of marketable bonds, notes and other obligations issued or unconditionally guaranteed by governments of countries or other official entities, including without limitation the agencies and instrumentalities of the government of a country, or by multilateral organizations;
- (b) the purchase and sale of certificates of deposit evidencing time deposits, bankers' acceptances and other obligations issued or unconditionally guaranteed by banks and other financial institutions, including international financial institutions and central banks;
- (c) the sale of federal funds in the United States interbank market through United States Federal Reserve Banks;
- (d) the purchase and sale of marketable bonds, notes and other debt obligations or debt securities (including asset-backed securities) issued or unconditionally guaranteed by corporate entities or trusts;
- (e) the purchase and sale of financial futures and option contracts and other derivative and associated instruments, and the entry into forward rate agreements, relating to Investments (as hereinafter defined) authorized by this Resolution;
- (f) the lending, against adequate collateral, and the borrowing of securities which the Bank has obtained or is authorized to obtain in accordance with this Resolution;
- (g) the repurchase and reverse repurchase, in each case receiving adequate margin protection, of securities which the Bank has obtained or is authorized to obtain in accordance with this Resolution;

- (h) swap transactions, options to enter into swap transactions in the future (swaptions), and foreign exchange transactions, relating to Investments (as hereinafter defined) authorized by this Resolution;
- (i) investments in money market funds or funds comprised of Investments (as hereinafter defined) authorized by this Resolution;
- (j) the acquisition of Collateral Assets (as hereinafter defined) in connection with a forward sale or transfer agreement, whether executed as a swap, repurchase, resale, securities lending, or equivalent transaction, in each case receiving adequate margin protection; and
- (k) such other transactions as may be expressly authorized by the Executive Directors of the Bank.

All cash and all securities, deposits, futures and option contracts and other obligations (including the sale of federal funds) obtained through any of these transactions shall be referred to collectively as “Investments,” which term shall include any long or short position held by the Bank and any securities loan. Any of the Investments may be made on a cash basis, subject to customary settlement procedures, on a when-issued basis or for forward delivery. As used in this Resolution, “official entity” means a governmental body or another entity, other than a multilateral organization, that has been established to serve a governmental purpose.

Marketable equity securities, marketable commodities, and marketable bonds, notes, and other obligations issued or unconditionally guaranteed by governments of countries and other official entities, agencies and instrumentalities thereof, states and municipalities, multilateral organizations, banks and other financial institutions, and corporate entities and trusts shall be referred to collectively as “Collateral Assets”.

2. To ensure the efficient operation of its cash management and investment transactions, the Bank, subject to any governmental approval required, is hereby authorized:

- (a) to borrow from commercial banks and other financial institutions, for periods of up to thirty days, in any currency or currency unit; and
- (b) to engage in offset borrowings from commercial banks and other financial institutions in order to reverse all or a part of any Investments made with such commercial banks and other financial institutions under paragraphs 1(b) and (c) of this Resolution, for periods up to the then remaining term of such Investments.

3. The terms and conditions of each transaction authorized hereby shall be as determined by any Authorized Officer, and any Authorized Officer is hereby authorized in connection with any such transaction, in the name and on behalf of the Bank:

- (a) to open and operate such demand, time deposit, custody, customer and margin accounts with central banks, commercial banks and other financial institutions as shall be necessary or advisable in order to carry on its operations; and
- (b) to enter into such agreements and to execute such other instruments and documents as shall be necessary or advisable in order to carry out the purposes of this Resolution.

4. The authority granted by this Resolution shall be subject to the following limitations:
- (a) Obligations referred to in paragraph 1(a) of this Resolution shall be eligible Investments:
 - (i) when issued or unconditionally guaranteed by the government of a country in the currency of such country;
 - (ii) when issued or unconditionally guaranteed by the government of a country in another currency or any currency unit, provided that: (A) such country has not received any new Bank loans or International Development Association credits during the five-year period preceding the transaction; and (B) the obligation is equivalent in credit standing to AA-rated securities in the United States market; and
 - (iii) when issued or unconditionally guaranteed by the agency or instrumentality of a government of a country, by any other official entity or by a multilateral organization in any currency or currency unit, provided that the obligation is equivalent in credit standing to AA-rated securities in the United States market.
 - (b) Transactions referred to in paragraphs 1(b) and (c) of this Resolution shall only be permitted
 - (i) when the senior debt securities of the bank or other financial institution involved in the transaction are equivalent in credit standing to A-rated securities in the United States market (or to securities rated A-1 or P-1 when maturing in less than 13 months), unless the Vice President and Treasurer of the Bank determines that in a particular country there is no reasonable interest-bearing alternative to investing in obligations of financial institutions whose senior debt securities are lower-rated or non-rated; or
 - (ii) in the case of international financial institutions and central banks that are not rated and that do not issue debt securities, when the credit standing of the institution is equivalent to the credit limits set forth in paragraph 4(b)(i) of this Resolution;
 - (c) Obligations or securities referred to in paragraph 1(d) of this Resolution shall be permitted only when such obligations or securities are equivalent in credit standing to AAA-rated securities in the United States market (or to securities rated A-1 or P-1 when maturing in less than 13 months);
 - (d) Investments in money market funds referred to in paragraph 1(i) of this Resolution shall be permitted only when such funds invest in high credit quality securities similar to the investments held by AAA-rated funds in the United States or other markets. Investments in other funds referred to in paragraph 1(i) of this Resolution shall be permitted only when such funds invest solely in Investments authorized by this Resolution, subject to all of the limitations set forth in this paragraph 4;

- (e) Transactions referred to in paragraph 1(j) of this Resolution shall be permitted only when:
 - (i) each entry into a transaction involving a Collateral Asset is matched by a forward sale or other transfer commitment under which the subsequent sale or transfer price of the relevant Collateral Asset is fixed or predetermined in advance; and
 - (ii) each transaction involving a Collateral Asset includes provisions for adequate margin protection;
- (f) Transactions referred to in paragraphs 1(a), (b), and (d) through (j) of this Resolution shall only be permitted with governments of countries, other official entities, multilateral organizations, banks, securities dealers, other financial institutions, and funds approved by the Group Chief Financial Officer; and
- (g) At any time, the average duration of all Investments shall not be longer or shorter than the average duration of the liabilities funding the Investments by more than twenty-four months.

5. The Bank is authorized to engage one or more asset management firms and other financial institutions for the purpose of managing and supervising the investment of all or part of the monies held by the Bank.

6. The Bank is authorized to invest the special reserve provided for in Section 6 of Article IV of the Articles of Agreement in bonds, notes and other obligations issued or guaranteed by the Government of the United States of America or any agency or instrumentality thereof and denominated in United States dollars.

7. The foregoing provisions shall also apply separately to the investment of funds administered by the Bank for the account of other parties, subject to any specific instructions provided for in the respective agreements governing the administration of such funds. For the avoidance of doubt, the duration limit set forth in paragraph 4(g) of this Resolution shall not apply to the investment of funds administered by the Bank for the account of other parties if such investments are not funded by liabilities.

8. As used herein, the term "Authorized Officer" means any of the following officers of the Bank, acting jointly or severally, in the name and on behalf of the Bank: (a) the President; the Group Chief Financial Officer or any Managing Director; the Vice President and Treasurer; the Vice President and General Counsel; any Deputy General Counsel; the Director, Investment Management Department; the Director, Pension and Endowments Department; the Director, Treasury Operations Department; the Chief Counsel, Corporate Finance Practice Group; and any person designated to act in an official capacity for any such officer in his or her absence, and (b) any other officer of the Bank designated in writing for this purpose by the President; the Group Chief Financial Officer or any Managing Director; the Vice President and Treasurer; the Director, Investment Management Department; Director, Pension and Endowments Department; the Director, Treasury Operations Department; and any person designated to act in an official capacity for any of the foregoing officers in his or her absence.

9. This Resolution supersedes Resolution No. 2008-0015, adopted by the Executive Directors of the Bank on September 25, 2008.

INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT

RESOLUTION NO. 2012-xxx

General Investment Authorization

WHEREAS it is desirable that the International Bank for Reconstruction and Development (the “Bank”) invest all or any part of the monies held by it from time to time and not immediately required for use in its operations;

NOW THEREFORE BE IT RESOLVED AS FOLLOWS:

1. Subject to any governmental approval required and to the limitations set forth in paragraph 4 of this Resolution, the Bank is hereby authorized to enter into any of the following transactions:

- (a) the purchase and sale of marketable bonds, notes and other obligations issued or unconditionally guaranteed by governments of countries or other official entities, including without limitation the agencies and instrumentalities of the government of a country, or by multilateral organizations;
- (b) the purchase and sale of certificates of deposit evidencing time deposits, bankers' acceptances and other obligations issued or unconditionally guaranteed by banks and other financial institutions, including international financial institutions and central banks;
- (c) the sale of federal funds in the United States interbank market through United States Federal Reserve Banks;
- (d) the purchase and sale of marketable bonds, notes and other debt obligations or debt securities (including asset-backed securities) issued or unconditionally guaranteed by corporate entities or trusts;
- (e) ~~the purchase and sale of equity securities, including:~~
 - (i) ~~equity securities included in the Russell 3000 Index, the MSCI World Index, or similar indices as determined by the Vice President and Treasurer;~~
 - (ii) ~~any other securities or financial instruments that are typically used by asset management firms or other financial institutions in portfolios that seek to track all or part of the indices referred to in paragraph 1(e)(i) of this Resolution;~~

- ~~(iii) commingled or mutual funds and Exchange Traded Funds that seek to track all or part of the indices referred to in paragraph 1(e)(i) of this Resolution;~~
- ~~(f) the purchase and sale of financial futures and option contracts and other derivative and associated instruments, and the entry into forward rate agreements, relating to Investments (as hereinafter defined) authorized by this Resolution;~~
- ~~(fg) the lending, against adequate collateral, and the borrowing of securities which the Bank has obtained or is authorized to obtain in accordance with this Resolution;~~
- ~~(g) the repurchase and reverse repurchase, in each case receiving adequate margin protection, of securities which the Bank has obtained or is authorized to obtain in accordance with this Resolution;~~
- (h) swap transactions, options to enter into swap transactions in the future (swaptions), and foreign exchange transactions, relating to Investments (as hereinafter defined) authorized by this Resolution;
- (i) investments in money market funds or funds comprised of Investments (as hereinafter defined) authorized by this Resolution;
- ~~(j) the acquisition of Collateral Assets (as hereinafter defined) in connection with a forward sale or transfer agreement, whether executed as a swap, repurchase, resale, securities lending, or equivalent transaction, in each case receiving adequate margin protection; and~~
- (kj) such other transactions as may be expressly authorized by the Executive Directors of the Bank.

All cash and all securities, deposits, futures and option contracts and other obligations (including the sale of federal funds) obtained through any of these transactions shall be referred to collectively as “Investments,” which term shall include any long or short position held by the Bank and any securities loan. Any of the Investments may be made on a cash basis, subject to customary settlement procedures, on a when-issued basis or for forward delivery. As used in this Resolution, “official entity” means a governmental body or another entity, other than a multilateral organization, that has been established to serve a governmental purpose.

Marketable equity securities, marketable commodities, and marketable bonds, notes, and other obligations issued or unconditionally guaranteed by governments of countries and other official entities, agencies and instrumentalities thereof, states and municipalities, multilateral organizations, banks and other financial institutions, and corporate entities and trusts shall be referred to collectively as “Collateral Assets”.

2. To ensure the efficient operation of its cash management and investment transactions, the Bank, subject to any governmental approval required, is hereby authorized:

- (a) to borrow from commercial banks and other financial institutions, for periods of up to thirty days, in any currency or currency unit; and

- (b) to engage in offset borrowings from commercial banks and other financial institutions in order to reverse all or a part of any Investments made with such commercial banks and other financial institutions under paragraphs 1(b) and (c) of this Resolution, for periods up to the then remaining term of such Investments.

3. The terms and conditions of each transaction authorized hereby shall be as determined by any Authorized Officer, and any Authorized Officer is hereby authorized in connection with any such transaction, in the name and on behalf of the Bank:

- (a) to open and operate such demand, time deposit, custody, customer and margin accounts with central banks, commercial banks and other financial institutions as shall be necessary or advisable in order to carry on its operations; and
- (b) to enter into such agreements and to execute such other instruments and documents as shall be necessary or advisable in order to carry out the purposes of this Resolution.

4. The authority granted by this Resolution shall be subject to the following limitations:

- (a) Obligations referred to in paragraph 1(a) of this Resolution shall be eligible Investments:
 - (i) when issued or unconditionally guaranteed by the government of a country in the currency of such country;
 - (ii) when issued or unconditionally guaranteed by the government of a country in another currency or any currency unit, provided that: (A) such country has not received any new Bank loans or International Development Association credits during the five-year period preceding the transaction; and (B) the obligation is equivalent in credit standing to AA-rated securities in the United States market; and
 - (iii) when issued or unconditionally guaranteed by the agency or instrumentality of a government of a country, by any other official entity or by a multilateral organization in any currency or currency unit, provided that the obligation is equivalent in credit standing to AA-rated securities in the United States market.
- (b) Transactions referred to in paragraphs 1(b) and (c) of this Resolution shall only be permitted
 - (i) _____ when the senior debt securities of the bank or other financial institution involved in the transaction are equivalent in credit standing to A-rated securities in the United States market (or to securities rated A-1 or P-1 when maturing in less than 13 months), unless the Vice President and Treasurer of the Bank determines that in a particular country there is no reasonable interest-bearing alternative to investing in obligations of financial institutions whose senior debt securities are lower-rated or non-rated; or

- (ii) in the case of international financial institutions and central banks that are not rated and that do not issue debt securities, when the credit standing of the institution is equivalent to the credit limits set forth in paragraph 4(b)(i) of this Resolution;
- (c) Obligations or securities referred to in paragraph 1(d) of this Resolution shall be permitted only when such obligations or securities are equivalent in credit standing to AAA-rated securities in the United States market (or to securities rated A-1 or P-1 when maturing in less than 13 months);
- ~~(d) Equity securities, other financial instruments, and funds referred to in paragraph 1(e) of this Resolution and any instruments referred to in paragraphs 1(f), 1(g), 1(h), and 1(i) in respect of such securities, shall be permitted only when purchased, sold, or transacted in connection with the portfolio that the Bank classifies as its Long Term Income Portfolio;~~
- ~~(de)~~ Investments in money market funds referred to in paragraph 1(i) of this Resolution shall be permitted only when such funds invest in high credit quality securities similar to the investments held by AAA-rated funds in the United States or other markets. Investments in other funds referred to in paragraph 1(i) of this Resolution shall be permitted only when such funds invest solely in Investments authorized by this Resolution, subject to all of the limitations set forth in this paragraph 4;
- (e) Transactions referred to in paragraph 1(j) of this Resolution shall be permitted only when:
- (i) each entry into a transaction involving a Collateral Asset is matched by a forward sale or other transfer commitment under which the subsequent sale or transfer price of the relevant Collateral Asset is fixed or predetermined in advance; and
- (ii) each transaction involving a Collateral Asset includes provisions for adequate margin protection;
- (f) Transactions referred to in paragraphs 1(a), (b), and (d) through (j); ~~(f), (g), (h), and (i)~~ of this Resolution shall only be permitted with governments of countries, other official entities, multilateral organizations, banks, securities dealers, other financial institutions, and funds approved by the Group Chief Financial Officer; and
- (g) At any time, the average duration of all Investments shall not be longer or shorter than the average duration of the liabilities funding the Investments by more than twenty-four months. ~~This duration limit shall not apply to the Long Term Income Portfolio.~~

5. The Bank is authorized to engage one or more asset management firms and other financial institutions ~~approved by the Vice President and Treasurer~~ for the purpose of managing and supervising the investment of all or part of the monies held by the Bank.

6. The Bank is authorized to invest the special reserve provided for in Section 6 of Article IV of the Articles of Agreement in bonds, notes and other obligations issued or guaranteed by the Government of the United States of America or any agency or instrumentality thereof and denominated in United States dollars.

7. The foregoing provisions shall also apply separately to the investment of funds administered by the Bank for the account of other parties, subject to any specific instructions provided for in the respective agreements governing the administration of such funds. For the avoidance of doubt, the duration limit set forth in paragraph 4(g) of this Resolution shall not apply to the investment of funds administered by the Bank for the account of other parties if such investments are not funded by liabilities.

8. As used herein, the term "Authorized Officer" means any of the following officers of the Bank, acting jointly or severally, in the name and on behalf of the Bank: (a) the President; the Group Chief Financial Officer or any Managing Director; the Vice President and Treasurer; the Vice President and General Counsel; any Deputy General Counsel; the Director, Investment Management Department; the Director, Pension and Endowments Department; the Director, Treasury Operations Department; the Chief Counsel, Corporate Finance Practice Group; and any person designated to act in an official capacity for any such officer in his or her absence, and (b) any other officer of the Bank designated in writing for this purpose by the President; the Group Chief Financial Officer or any Managing Director; the Vice President and Treasurer; the Director, Investment Management Department; the Director, Pension and Endowments Department; the Director, Treasury Operations Department; and any person designated to act in an official capacity for any of the foregoing officers in his or her absence.

9. This Resolution supersedes Resolution No. 2008-0015 ~~97-1~~, adopted by the Executive Directors of the Bank on September 25, 2008 ~~May 1, 1997~~.

RESOLUTION NO. IDA 2012-xxx

General Investment Authorization

WHEREAS it is desirable that the International Development Association (the "Association") invest all or any part of the monies held by it from time to time and not immediately required for use in its operations;

NOW THEREFORE BE IT RESOLVED AS FOLLOWS:

1. Subject to any governmental approval required and to the limitations set forth in paragraph 4 of this Resolution, the Association is hereby authorized to enter into any of the following transactions:

- (a) the purchase and sale of marketable bonds, notes and other obligations issued or unconditionally guaranteed by governments of countries or other official entities, including without limitation the agencies and instrumentalities of the government of a country, or by multilateral organizations;
- (b) the purchase and sale of certificates of deposit evidencing time deposits, bankers' acceptances and other obligations issued or unconditionally guaranteed by banks and other financial institutions, including international financial institutions and central banks;
- (c) the sale of federal funds in the United States interbank market through United States Federal Reserve Banks;
- (d) the purchase and sale of marketable bonds, notes and other debt obligations or debt securities (including asset-backed securities) issued or unconditionally guaranteed by corporate entities or trusts;
- (e) the purchase and sale of financial futures and option contracts and other derivative and associated instruments, and the entry into forward rate agreements, relating to Investments (as hereinafter defined) authorized by this Resolution;
- (f) the lending, against adequate collateral, and the borrowing of securities which the Association has obtained or is authorized to obtain in accordance with this Resolution;
- (g) the repurchase and reverse repurchase, in each case receiving adequate margin protection, of securities which the Bank has obtained or is authorized to obtain in accordance with this Resolution;
- (h) swap transactions, options to enter into swap transactions in the future (swaptions) and foreign exchange transactions, relating to Investments (as hereinafter defined) authorized by this Resolution;

- (i) investments in money market funds or funds comprised of Investments (as hereinafter defined) authorized by this Resolution;
- (j) the acquisition of Collateral Assets (as hereinafter defined) in connection with a forward sale or transfer agreement, whether executed as a swap, repurchase, resale, securities lending, or equivalent transaction, in each case receiving adequate margin protection; and
- (k) such other transactions as may be expressly authorized by the Executive Directors of the Association.

All cash and all securities, deposits, futures and option contracts and other obligations (including the sale of federal funds) obtained through any of these transactions shall be referred to collectively as “Investments,” which term shall include any long or short position held by the Association and any securities loan. Any of the Investments may be made on a cash basis, subject to customary settlement procedures, on a when-issued basis or for forward delivery. As used in this Resolution, “official entity” means a governmental body or another entity, other than a multilateral organization, that has been established to serve a governmental purpose.

Marketable equity securities, marketable commodities, and marketable bonds, notes, and other obligations issued or unconditionally guaranteed by governments of countries and other official entities, agencies and instrumentalities thereof, states and municipalities, multilateral organizations, banks and other financial institutions, and corporate entities and trusts shall be referred to collectively as “Collateral Assets”.

2. To ensure the efficient operation of its cash management and investment transactions, the Association, subject to any governmental approval required, is hereby authorized:

- (a) to borrow from commercial banks and other financial institutions, for periods of up to thirty days, in any currency or currency unit; and
- (b) to engage in offset borrowings from commercial banks and other financial institutions in order to reverse all or a part of any Investments made with such commercial banks and other financial institutions under paragraphs 1(b) and (c) of this Resolution, for periods up to the then remaining term of such Investments.

3. The terms and conditions of each transaction authorized hereby shall be as determined by any Authorized Officer, and any Authorized Officer is hereby authorized in connection with any such transaction, in the name and on behalf of the Association:

- (a) to open and operate such demand, time deposit, custody, customer and margin accounts with central banks, commercial banks and other financial institutions as shall be necessary or advisable in order to carry on its operations; and
- (b) to enter into such agreements and to execute such other instruments and documents as shall be necessary or advisable in order to carry out the purposes of this Resolution.

4. The authority granted by this Resolution shall be subject to the following limitations:

- (a) Obligations referred to in paragraph 1(a) of this Resolution shall be eligible Investments:
 - (i) when issued or unconditionally guaranteed by the government of a country in the currency of such country;
 - (ii) when issued or unconditionally guaranteed by the government of a country in another currency or any currency unit, provided that: (A) such country has not received any new International Bank for Reconstruction and Development loans or Association credits during the five-year period preceding the transaction; and (B) the obligation is equivalent in credit standing to AA-rated securities in the United States market; and
 - (iii) when issued or unconditionally guaranteed by the agency or instrumentality of a government of a country, by any other official entity or by a multilateral organization in any currency or currency unit, provided that the obligation is equivalent in credit standing to AA-rated securities in the United States market.
- (b) Transactions referred to in paragraphs 1(b) and (c) of this Resolution shall only be permitted
 - (i) when the senior debt securities of the bank or other financial institution involved in the transaction are equivalent in credit standing to A-rated securities in the United States market (or to securities rated A-1 or P-1 when maturing in less than 13 months), unless the Vice President and Treasurer of the Association determines that in a particular country there is no reasonable interest-bearing alternative to investing in obligations of financial institutions whose senior debt securities are lower-rated or non-rated; or
 - (ii) in the case of international financial institutions and central banks that are not rated and that do not issue debt securities, when the credit standing of the institution is equivalent to the credit limits set forth in paragraph 4(b)(i) of this Resolution;
- (c) Obligations or securities referred to in paragraph 1(d) of this Resolution shall be permitted only when such obligations or securities are equivalent in credit standing to AAA-rated securities in the United States market (or to securities rated A-1 or P-1 when maturing in less than 13 months);
- (d) Investments in money market funds referred to in paragraph 1(i) of this Resolution shall be permitted only when such funds invest in high credit quality securities similar to the investments held by AAA-rated funds in the United States or other markets. Investments in other funds referred to in paragraph 1(i) of this Resolution shall be permitted only when such fund invest solely in Investments authorized by this Resolution, subject to all of the limitations set forth in this paragraph 4;
- (e) Transactions referred to in paragraph 1(j) of this Resolution shall be permitted only when:

- (i) each entry into a transaction involving a Collateral Asset is matched by a forward sale or other transfer commitment under which the subsequent sale or transfer price of the relevant Collateral Asset is fixed or predetermined in advance; and
 - (ii) each transaction involving a Collateral Asset includes provisions for adequate margin protection;
- (f) Transactions referred to in paragraphs 1(a), (b), and (d) through (j) of this Resolution shall only be permitted with governments of countries, other official entities, multilateral organizations, banks, securities dealers, other financial institutions, and funds approved by the Group Chief Financial Officer.

5. The Association is authorized to engage one or more asset management firms and other financial institutions for the purpose of managing and supervising the investment of all or part of the monies held by the Association.

6. The foregoing provisions shall also apply separately to the investment of funds administered by the Association for the account of other parties, subject to any specific instructions provided for in the respective agreements governing the administration of such funds.

7. As used herein, the term "Authorized Officer" means any of the following officers of the Association, acting jointly or severally, in the name and on behalf of the Association: (a) the President; the Group Chief Financial Officer or any Managing Director; the Vice President and Treasurer; the Vice President and General Counsel; any Deputy General Counsel; the Director, Investment Management Department; the Director, Pension and Endowments Department; the Director, Treasury Operations Department; the Chief Counsel, Corporate Finance Practice Group; and any person designated to act in an official capacity for any such officer in his or her absence, and (b) any other officer of the Association designated in writing for this purpose by the President; the Group Chief Financial Officer or any Managing Director; the Vice President and Treasurer; the Director, Investment Management Department; the Director, Pension and Endowments Department; the Director, Treasury Operations Department; and any person designated to act in an official capacity for any of the foregoing officers in his or her absence.

8. This Resolution supersedes Resolution No. IDA 2008-0009, adopted by the Executive Directors of the Association on September 25, 2008.

RESOLUTION NO. IDA 2012-xxx

General Investment Authorization

WHEREAS it is desirable that the International Development Association (the "Association") invest all or any part of the monies held by it from time to time and not immediately required for use in its operations;

NOW THEREFORE BE IT RESOLVED AS FOLLOWS:

1. Subject to any governmental approval required and to the limitations set forth in paragraph 4 of this Resolution, the Association is hereby authorized to enter into any of the following transactions:

- (a) the purchase and sale of marketable bonds, notes and other obligations issued or unconditionally guaranteed by governments of countries or other official entities, including without limitation the agencies and instrumentalities of the government of a country, or by multilateral organizations;
- (b) the purchase and sale of certificates of deposit evidencing time deposits, bankers' acceptances and other obligations issued or unconditionally guaranteed by banks and other financial institutions, including international financial institutions and central banks;
- (c) the sale of federal funds in the United States interbank market through United States Federal Reserve Banks;
- (d) the purchase and sale of marketable bonds, notes and other debt obligations or debt securities (including asset-backed securities) issued or unconditionally guaranteed by corporate entities or trusts;
- (e) the purchase and sale of financial futures and option contracts and other derivative and associated instruments, and the entry into forward rate agreements, relating to Investments (as hereinafter defined) authorized by this Resolution;
- (f) the lending, against adequate collateral, and the borrowing of securities which the Association has obtained or is authorized to obtain in accordance with this Resolution;
- ~~(g) the repurchase and reverse repurchase, in each case receiving adequate margin protection, of securities which the Bank has obtained or is authorized to obtain in accordance with this Resolution;~~
- (hg) swap transactions, options to enter into swap transactions in the future (swaptions) and foreign exchange transactions, relating to Investments (as hereinafter defined) authorized by this Resolution;

- (ih) investments in money market funds or funds comprised of Investments (as hereinafter defined) authorized by this Resolution;
- ~~(j) the acquisition of Collateral Assets (as hereinafter defined) in connection with a forward sale or transfer agreement, whether executed as a swap, repurchase, resale, securities lending, or equivalent transaction, in each case receiving adequate margin protection; and~~
- (ki) such other transactions as may be expressly authorized by the Executive Directors of the Association.

All cash and all securities, deposits, futures and option contracts and other obligations (including the sale of federal funds) obtained through any of these transactions shall be referred to collectively as “Investments,” which term shall include any long or short position held by the Association and any securities loan. Any of the Investments may be made on a cash basis, subject to customary settlement procedures, on a when-issued basis or for forward delivery. As used in this Resolution, “official entity” means a governmental body or another entity, other than a multilateral organization, that has been established to serve a governmental purpose.

Marketable equity securities, marketable commodities, and marketable bonds, notes, and other obligations issued or unconditionally guaranteed by governments of countries and other official entities, agencies and instrumentalities thereof, states and municipalities, multilateral organizations, banks and other financial institutions, and corporate entities and trusts shall be referred to collectively as “Collateral Assets”.

2. To ensure the efficient operation of its cash management and investment transactions, the Association, subject to any governmental approval required, is hereby authorized:

- (a) to borrow from commercial banks and other financial institutions, for periods of up to thirty days, in any currency or currency unit; and
- (b) to engage in offset borrowings from commercial banks and other financial institutions in order to reverse all or a part of any Investments made with such commercial banks and other financial institutions under paragraphs 1(b) and (c) of this Resolution, for periods up to the then remaining term of such Investments.

3. The terms and conditions of each transaction authorized hereby shall be as determined by any Authorized Officer, and any Authorized Officer is hereby authorized in connection with any such transaction, in the name and on behalf of the Association:

- (a) to open and operate such demand, time deposit, custody, customer and margin accounts with central banks, commercial banks and other financial institutions as shall be necessary or advisable in order to carry on its operations; and
- (b) to enter into such agreements and to execute such other instruments and documents as shall be necessary or advisable in order to carry out the purposes of this Resolution.

4. The authority granted by this Resolution shall be subject to the following limitations:

- (a) Obligations referred to in paragraph 1(a) of this Resolution shall be eligible Investments:
- (i) when issued or unconditionally guaranteed by the government of a country in the currency of such country;
 - (ii) when issued or unconditionally guaranteed by the government of a country in another currency or any currency unit, provided that: (A) such country has not received any new International Bank for Reconstruction and Development loans or Association credits during the five-year period preceding the transaction; and (B) the obligation is equivalent in credit standing to AA-rated securities in the United States market; and
 - (iii) when issued or unconditionally guaranteed by the agency or instrumentality of a government of a country, by any other official entity or by a multilateral organization in any currency or currency unit, provided that the obligation is equivalent in credit standing to AA-rated securities in the United States market.
- (b) Transactions referred to in paragraphs 1(b) and (c) of this Resolution shall only be permitted
- (i) _____ when the senior debt securities of the bank or other financial institution involved in the transaction are equivalent in credit standing to A-rated securities in the United States market (or to securities rated A-1 or P-1 when maturing in less than 13 months), unless the Vice President and Treasurer of the Association determines that in a particular country there is no reasonable interest-bearing alternative to investing in obligations of financial institutions whose senior debt securities are lower-rated or non-rated; or
 - (ii) in the case of international financial institutions and central banks that are not rated and that do not issue debt securities, when the credit standing of the institution is equivalent to the credit limits set forth in paragraph 4(b)(i) of this Resolution;
- (c) Obligations or securities referred to in paragraph 1(d) of this Resolution shall be permitted only when such obligations or securities are equivalent in credit standing to AAA-rated securities in the United States market (or to securities rated A-1 or P-1 when maturing in less than 13 months);
- (d) Investments in money market funds referred to in paragraph 1(~~h~~) of this Resolution shall be permitted only when such funds invest in high credit quality securities similar to the investments held by AAA-rated funds in the United States or other markets. Investments in other funds referred to in paragraph 1(~~h~~) of this Resolution shall be permitted only when such fund invest solely in Investments authorized by this Resolution, subject to all of the limitations set forth in this paragraph 4;
- (e) Transactions referred to in paragraph 1(j) of this Resolution shall be permitted only when:

- (i) each entry into a transaction involving a Collateral Asset is matched by a forward sale or other transfer commitment under which the subsequent sale or transfer price of the relevant Collateral Asset is fixed or predetermined in advance; and
 - (ii) each transaction involving a Collateral Asset includes provisions for adequate margin protection;
- (f) Transactions referred to in paragraphs 1(a), (b), and (d) through (j), ~~(e), (f), (g) and (h)~~ of this Resolution shall only be permitted with governments of countries, other official entities, multilateral organizations, banks, securities dealers, other financial institutions, and funds approved by the Group Chief Financial Officer.

5. The Association is authorized to engage one or more asset management firms and other financial institutions ~~approved by the Vice President and Treasurer~~ for the purpose of managing and supervising the investment of all or part of the monies held by the Association.

6. The foregoing provisions shall also apply separately to the investment of funds administered by the Association for the account of other parties, subject to any specific instructions provided for in the respective agreements governing the administration of such funds.

7. As used herein, the term "Authorized Officer" means any of the following officers of the Association, acting jointly or severally, in the name and on behalf of the Association: (a) the President; the Group Chief Financial Officer or any Managing Director; the Vice President and Treasurer; the Vice President and General Counsel; any Deputy General Counsel; the Director, Investment Management Department; the Director, Pension and Endowments Department; the Director, Treasury Operations Department; the Chief Counsel, Corporate Finance Practice Group; and any person designated to act in an official capacity for any such officer in his or her absence, and (b) any other officer of the Association designated in writing for this purpose by the President; the Group Chief Financial Officer or any Managing Director; the Vice President and Treasurer; the Director, Investment Management Department; the Director, Pension and Endowments Department; the Director, Treasury Operations Department; and any person designated to act in an official capacity for any of the foregoing officers in his or her absence.

8. This Resolution supersedes Resolution No. IDA 2008-0009 ~~90-3~~, adopted by the Executive Directors of the Association on September 25, 2008 ~~May 29, 1990~~.