



Islamic Development Bank

Articles of Agreement





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بِسْمِ اللَّهِ الرَّحْمَنِ الرَّحِيمِ

**In The Name of God The Beneficent
The Merciful**

**AGREEMENT ESTABLISHING
THE ISLAMIC DEVELOPMENT BANK**

**THE GOVERNMENTS ON WHOSE BEHALF
THIS AGREEMENT IS SIGNED**

RECOGNIZING the need for fostering the well-being of the peoples of the Muslim countries and for achieving a harmonious and balanced development of these countries on the basis of Islamic principles and ideals;

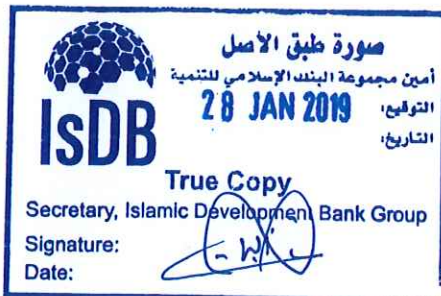
CONSIDERING that such development can be best advanced through mutual financial and economic cooperation among the Muslim states which are members of the Islamic Conference;

NOTING that one of the objectives of the Islamic Conference as expressed in its Charter is to promote and strengthen cooperation among member states in the economic, social and other fields or activities;

REALIZING the need for mobilizing financial and other resources both from within and outside the member countries and for promoting domestic savings and investment and a greater flow of development funds into member countries;

BEING convinced; in this context, of the desirability of establishing an international financial institution which shall be development, investment and welfare oriented, based on Islamic principles and ideals, and a practical expression of the unity and solidarity of the Muslim Ummah ;

DO HEREBY AGREE to establish an international financial institution to be known in Arabic as **البنك الإسلامي للتنمية** in English as the "**ISLAMIC DEVELOPMENT BANK**", and in French as "**BANQUE ISLAMIQUE DE DEVELOPPEMENT**" which shall operate in accordance with the following provisions;



ARTICLES OF AGREEMENT
CHAPTER I
PURPOSE, FUNCTIONS, POWERS AND MEMBERSHIP

Article 1
PURPOSE

The purpose of the Islamic Development Bank (hereinafter called the Bank), shall be to foster economic development and social progress of member countries and Muslim communities individually as well as jointly in accordance with the principles of the Shari'ah.

Article 2
FUNCTIONS AND POWERS

To fulfill its purpose the Bank shall have the following functions and powers:

- (i) to participate in equity capital of productive projects and enterprises in member countries;
- (ii) to invest in economic and social infrastructure projects in member countries by way of participation or other financial arrangements;
- (iii) to make loans to the private and public sectors for the financing of productive projects, enterprises and programmes in member countries;
- (iv) to establish and operate Special Funds for specific purposes including a 'Fund for assistance' to Muslim communities in nonmember countries;
- (v) to operate Trust Funds;
- (vi) to accept deposits and to raise funds in any other manner;
- (vii) to assist in the promotion of foreign trade, especially in capital goods, among member countries;
- (viii) to invest suitably funds not needed in its operations;
- (ix) to provide technical assistance to member countries;
- (x) to extend training facilities for personnel engaged in development activities in member countries;
- (xi) to undertake research for enabling the economic, financial and banking activities in Muslim countries to conform to the Shari'ah ;
- (xii) to cooperate, subject to this Agreement, in such a manner as the Bank may deem appropriate, with all bodies, institutions and organizations having similar purposes, in pursuance of international economic cooperation;
- (xiii) to undertake any other activities which may advance its purpose.

Article 3
MEMBERSHIP

1. The founder members of the Bank shall be those members of the Islamic

Conference listed in Annexure 'A' hereto which, on or before the date specified in Article 66, shall have signed this Agreement and shall have fulfilled all other conditions of membership within six (6) months of such date.

2. Any other state which is a member of the Islamic Conference may apply and be admitted as a member after the coming into force of this Agreement upon such terms and conditions as may be decided by the affirmative vote of the majority of the total number of Governors representing a majority of the total voting power of the members.

CHAPTER II FINANCIAL RESOURCES

Article 4

AUTHORIZED AND SUBSCRIBED CAPITAL

3. (a) The unit of account of the Bank shall be known as the Islamic Dinar, the value of which shall be equivalent to one Special Drawing Right of the International Monetary Fund.

(b) The authorized capital stock of the Bank shall be two thousand million (2,000,000,000) Islamic Dinars divided into two hundred thousand (200,000) shares having a par value of ten thousand (10,000) Islamic Dinars each, which shall be available for subscription by members in accordance with the provisions of Article 5. The subscribed capital of the Bank shall be initially seven hundred and fifty million (750,000,000) Islamic Dinars.
- 2.* The authorized capital stock of the Bank may be increased by the Board of Governors, at such time and upon such terms and conditions as it may deem advisable, by a vote of two-thirds of the total number of Governors, representing not less than three-fourths of the total voting powers of the members.

Article 5

SUBSCRIPTION AND ALLOCATION OF SHARES

* The Board of Governors, in its Special Meeting held in Jeddah on 4 Muharram 1413H (4 July 1992), decided to increase the authorized capital stock of the Bank to ID 6000 million (Islamic Dinars Six Thousand million) and the subscribed capital stock of the Bank to ID 4000 million (Islamic Dinars Four Thousand Million) vide Resolution No. BG/(SM)3-413". During its 23rd Annual Meeting in Cotonou on 29 Rajab 1419H (18 November 1998) the Board adopted Resolution No. BG/3-419 increasing the subscribed capital of the Bank to ID 4.1 billion. Later, during its 26th Annual Meeting in Algiers on 8 Sha'baan 1422H (24 October 2001), the Board decided to increase the authorized capital stock by ID 9 billion to ID 15 billion, and the subscribed capital by ID 4 billion to ID 8.1 billion (vide Resolution No. BG/5-422).

1. Each member shall subscribe to the capital stock of the Bank. The minimum number of shares to be subscribed by a member shall be two hundred and fifty (250) shares.
2. Each member shall declare the initial number of shares it shall subscribe to the capital stock before the expiry of the date specified in paragraph I of Article 66.
3. A country admitted to membership in accordance with paragraph 2 of Article 3 shall, subject to paragraph I hereof, subscribe to that number of shares of the unsubscribed portion of the authorized capital stock of the Bank as determined by the Board of Governors.
4. If the Board of Governors determines that an increase in the capital stock is warranted, each member shall have a reasonable opportunity to subscribe, upon such terms and conditions as the Board of Governors shall determine, to a proportion of the increase of stock equivalent to the proportion which its stock heretofore subscribed bears to the total subscribed capital stock immediately prior to such increase; provided, however, that the foregoing provision shall not apply in respect of any increase or any portion of an increase in the capital stock intended solely to give effect to the determination of the Board of Governors under paragraphs 3 and 5 of this Article. No member shall be obliged to subscribe to any part of an increase of the capital stock.
5. The Board of Governors may, at the request of a member, by a vote of a majority of the total number of Governors representing a majority of the total voting power of the members, increase the subscription of such member to the capital stock on such terms and conditions as the Board may determine.
6. Shares of stock initially subscribed by founder members shall be issued at par. Other shares shall be issued at par unless the Board of Governors upon the affirmative vote of two-thirds of the total number of Governors representing not less than three-fourths of the total voting power of the members, in special circumstances, decides to issue them on other terms.

Article 6
PAYMENT OF SUBSCRIPTIONS

1. Payment of the amount initially subscribed by a founder member to the capital stock of the Bank shall be made in five (5) equal instalments of twenty (20) per cent each.
2. The first instalment shall be paid by the member in freely convertible currency acceptable to the Bank within thirty (30) days after the date on

which this Agreement comes into force or after the date of deposit on its behalf of its instrument of ratification or acceptance whichever is the later.

3. Payment of the remaining eighty (80) per cent of the initial subscription shall also be made in freely convertible currency acceptable to the Bank in four (4) equal instalments each of which shall be payable on or before the anniversary of the date of the payment of the first instalment as provided under paragraph 2 of this Article; provided that a member may, at its option, make payment of its remaining instalments of subscription before due date.
4. The Bank shall determine the place for any payment under this Article. Until so determined, payment of the first instalment referred to in paragraph 2 of this Article shall be made to the Saudi Arabian Monetary Agency which shall act as Trustee and Depository for the Bank.

Article 7

CONDITIONS RELATING TO CAPITAL STOCK

1. Shares of stock shall not be pledged or encumbered in any manner whatsoever, and they shall not be transferable except to the Bank in accordance with Chapter VI.
2. The liability of a member on shares shall be limited to the unpaid portion of its capital subscription.
3. No member, by reason only of its membership, shall be liable for obligations of the Bank.

Article 8

DEPOSITS

The Bank may accept deposits which shall be utilized and administered in accordance with Rules and Regulations made by the Bank.

Article 9

ORDINARY CAPITAL RESOURCES

In this Agreement "Ordinary Capital Resources" of the Bank shall include:

- (i) the capital subscribed in accordance with Article 5 ;
- (ii) deposits placed with the Bank pursuant to Article 8 ;
- (iii) amounts received in repayment of loans, from the sale of its equity holdings and as income from investments related to its ordinary operations ;
- (iv) any other funds raised or received by the Bank, or placed at its disposal, or income received by it, which do not form part of Special Fund

Resources and Trust Fund Resources referred to in Articles 10 and 11 respectively.

Article 10
SPECIAL FUND RESOURCES

In this Agreement "Special Fund Resources" shall include:

- (i) funds contributed by members for inclusion in any Special Fund;
- (ii) funds allocated by the Bank to any Special Fund from net income arising out of its ordinary operations;
- (iii) funds repaid in respect of financing from the resources of a Special Fund;
- (iv) income derived from operations financed by a Special Fund; and
- (v) any other resources received by, or placed at the disposal of, any Special Fund.

Article 11
TRUST FUND RESOURCES

In this Agreement "Trust Fund Resources" shall include the following:

- (i) resources received by the Bank to be administered in accordance with the terms of the Trust;
- (ii) funds repaid or received in respect of operations financed by Trust Funds; and
- (iii) income derived from operations financed by Trust Funds.

CHAPTER III
OPERATIONS

Article 12
USE OF RESOURCES

The resources and facilities of the Bank shall be used exclusively to implement the purpose and to carry out the functions set forth respectively in Articles 1 and 2 on the basis of sound economic principles.

Article 13
ORDINARY, SPECIAL AND TRUST OPERATIONS

1. The Operations of the Bank shall consist of Ordinary Operations, special Operations and Trust Operations.
2. Ordinary Operations shall be those financed from the Ordinary Capital Resources of the Bank.
3. Special Operations shall be those financed from the Special fund Resources.

4. Trust Operations shall be those financed from the Trust Fund Resources.

Article 14

SEPARATION OF OPERATIONS

1. The Ordinary Capital Resources, the Special Fund Resources and the Trust Fund Resources of the Bank shall, at all times and in all respects, be held, used, committed, invested or otherwise disposed of entirely separate from each other. The financial statements of the Bank shall show the Ordinary Operations, the Special Operations and the Trust Operations separately.
2. The Ordinary Capital Resources of the Bank shall under no circumstances be charged with, or used to discharge, losses or liabilities arising out of Special Operations or other activities for which Special Fund Resources and Trust Fund Resources were originally used or committed.
3. Expenses appertaining directly to Ordinary Operations shall be charged to the Ordinary Capital Resources of the Bank. Expenses appertaining directly to Special and Trust Operations shall be charged to Special Fund Resources and Trust Fund Resources, respectively. Any other expenses shall be charged as the Bank shall determine.

Article 15

METHODS OF OPERATION

In carrying out the purpose and functions under Articles 1 and 2, the Bank shall comply with its Rules and Regulations.

Article 16

CONSIDERATIONS RELEVANT TO FINANCING

1. In conducting its operations the Bank shall pay due regard to.
 - (i) safeguarding its interests in respect of its financing, including obtaining guarantees for its loans;
 - (ii) the prospect that the recipient and its guarantor, if any, will be in a position to meet their obligations under the contract;
 - (iii) the needs of the relatively less developed member countries ;
 - (iv) the objective of promoting complementarily in the economies of member countries;
 - (v) the promotion of the well-being of people in member countries through economic and social development and the enlargement of opportunities for gainful employment; and
 - (vi) the desirability of avoiding a disproportionate amount of its resources being used for the benefit of any member.

1. The applicant for financing shall submit an adequate proposal and the President of the Bank shall present to the Board of Executive Directors a written report regarding the proposal, together with his recommendations on the basis of an appropriate study.
2. The Bank shall take necessary measures to ensure that financing made available by it is used strictly for the purposes for which it was provided.
4. Considering the importance of equity investments, the Bank shall seek to maintain a suitable ratio between equity investments made in, and loans granted to, member countries.
5. The Bank shall, as far as practicable, accord priority to projects, including joint ventures, which promote and strengthen economic cooperation among member countries.
6. Every financing contract shall provide for effective inspection and follow-up by the Bank.
7. The Bank shall not finance any undertaking in the territory of a member if that member objects to such financing.
8. The Bank may provide financing for the foreign exchange component of total cost and in suitable cases, especially in the case of less developed member countries, it may also provide financing for the local currency component after assuring itself that the country's domestic resource mobilization effort justifies such action.
9. There shall be no restrictions on sources of procurement, which will ordinarily be subject to international competitive bidding. The Bank may provide, after due and proper study, a margin of preference for procurement from member countries.

Article 17

EQUITY PARTICIPATION

1. In participating in equity capital the Bank shall satisfy itself that the project or enterprise is currently or potentially revenue yielding and that it is, and will be, properly managed.
2. The Bank shall not acquire a majority or controlling interests in the share

capital of the project or enterprise in which it participates except when it is necessary to protect the Bank's interest or to ensure the success of such project or enterprise.

3. The Bank shall apply such terms and conditions as it deems proper, taking into account the requirements of the project or enterprise, the risks being undertaken by the Bank and the terms and conditions normally obtained by equity investors for similar financing including voting rights and the right to nominate one or more directors to the governing board of the project or enterprise.
4. The Bank shall retain the option to sell its equity participation on such terms and conditions as may be considered appropriate. The Bank shall not, however, sell any part of its equity participation to any non-national of the member country except with the consent of such member country.
5. The Bank shall not assume responsibility for managing any project or enterprise in which it has invested except when necessary to safeguard its investment.
6. The Bank shall not provide loans to an enterprise in whose equity it has participated except in special cases approved by not less than two-thirds of the total voting power of the members.
7. The Bank shall seek to revolve its resources by selling its investments whenever it can appropriately do so.
8. The Bank shall seek to maintain reasonable diversification in its equity investments.

Article 18

PROJECT LOANS

In making loans for specific infrastructure and other projects, the Bank shall take into account each project's potential return and importance in the scheme of priorities of the recipient country.

Article 19

PROGRAMME LOANS

In making programme loans to member countries, including institutions or agencies thereof, the Bank shall satisfy itself that the purpose of the loans is to promote the well-being of the people through economic and social development.

Article 20

TERMS AND CONDITIONS OF PROJECT AND PROGRAMME LOANS

1. The Bank shall determine the schedule of repayment of loans extended under Articles 18 and 19 bearing in mind relevant considerations especially the overall resource position and the balance of payments prospects of the member country concerned.
2. If a member represents that it suffers from an acute foreign exchange stringency and that the service of any loan contracted or guaranteed by that member or any of its agencies cannot be provided in the stipulated manner, the Bank may at its discretion modify the terms of amortization or extend the life of the loan or both provided that it is satisfied that such relaxation is justified in the interest of the particular recipient and the operations of the Bank.
3. The Bank shall levy a service fee to cover its administrative expenses. The amount of the fee and the manner of levying it shall be determined by the Bank.

Article 21

LIMITATION ON ORDINARY OPERATIONS

The total amount of equity investments, amounts of loans outstanding and other ordinary operations of the Bank shall not, at any time, exceed the total amount of the unimpaired subscribed capital, reserves, deposits, other funds raised and surplus included in Ordinary Capital Resources.

Article 22

SPECIAL FUNDS

Special Funds may be established by the Bank for:

- (i) assisting Muslim communities in non-member countries;
- (ii) providing technical assistance; or
- (iii) any other specific purpose;

These Funds shall be administered in accordance with Rules and Regulations made by the Bank.

Article 23

TRUST FUNDS

The Bank may accept the administration of Trust Funds, whose objectives are not inconsistent with the purpose, and functions of the Bank, in accordance with the terms of the Trust and such Rules and Regulations as may be made by the Bank.

CHAPTER IV CURRENCIES

Article 24

DETERMINATION OF EXCHANGE RATES AND CONVERTIBILITY

1. The determination of exchange rates in terms of the Islamic Dinar or the settlement of any question regarding exchange rates shall be made by the Bank. For the purpose of such determination, the Bank may obtain information, if it considers this necessary, from the International Monetary Fund.
2. Whenever the need arises under this Agreement to determine whether any currency is freely convertible, such determination shall be made by the Bank. The International Monetary Fund may be consulted for such determination if the Bank considers it necessary.

Article 25

USE AND CONVERSION OF CURRENCIES

1. A member shall not maintain or impose any restriction on the receipt, holding or use of its currency, or any other currency, on the account of the Bank.
2. A member shall, at the request of the Bank, facilitate the prompt conversion of its currency held by the Bank into freely convertible currency on the basis of exchange rates determined for the value date of the conversion in accordance with Article 24.
3. The currencies of non-members held by the Bank shall not be used to purchase the currency of a member except in the ordinary course of the Bank's business, or with the approval of the member concerned.
4. A member country shall impose no restrictions on the remittance of profits and repatriation of capital by the Bank in convertible currency acceptable to the Bank.

Article 26

DENOMINATION OF TRANSACTIONS

The Bank's loans shall be denominated in Islamic Dinar except in special cases where the Bank determines otherwise. All obligations to the Bank under loan agreements shall be discharged in freely convertible currency acceptable to the Bank.

CHAPTER V
ORGANIZATION AND MANAGEMENT

Article 27
STRUCTURE

The Bank shall have a Board of Governors, a Board of Executive Directors, a President, one or more Vice Presidents and such other officers and staff as may be considered necessary:

Article 28
BOARD OF GOVERNORS: COMPOSITION

1. Each member shall be represented on the Board of Governors and shall appoint one Governor and one Alternate. Each Governor and each Alternate shall serve at the pleasure of the appointing member. No Alternate may vote except in the absence of his principal. At its annual meeting, the Board shall designate one of the Governors as Chairman who shall hold office until the election of the next Chairman at the next annual meeting of the Board.
2. Governors and Alternates shall serve as such without remuneration from the Bank, but the Bank may reimburse them for reasonable expenses incurred in attending meetings.

Article 29
BOARD OF GOVERNORS: POWERS

1. All the powers of the Bank shall be vested in the Board of Governors.
2. The Board of Governors may delegate to the Board of Executive Directors any or all its powers, except the power to :
 - (i) admit new members and determine the conditions of their admission;
 - (ii) increase or decrease the authorized capital stock of the Bank;
 - (iii) suspend a member;
 - (iv) decide appeals from interpretations or applications of this Agreement given by the Board of Executive Directors;
 - (v) authorize the conclusion of general agreements for cooperation with other international organizations;
 - (vi) elect the President of the Bank;
 - (vii) elect the Executive Directors of the Bank;
 - (viii) determine the remuneration of the Executive Directors and the salary and other terms of the contract of service of the President;
 - (ix) approve, after reviewing the auditor's report, the general balance sheet and the statement of profit and loss of the Bank;

- (x) determine the reserve and the distribution of the net income and surplus of the Bank;
 - (xi) amend this Agreement;
 - (xii) decide to terminate the operations of the Bank and to distribute its assets; and
 - (xiii) exercise such other special powers as are expressly assigned to the Board of Governors in this Agreement.
3. The Board of Governors, and the Executive Directors to the extent authorized, may adopt such Rules and Regulations as may be necessary or appropriate to conduct the business of the Bank, including Rules and Regulations for personnel, pensions and other benefits.
 4. The Board of Governors shall retain full power to exercise authority over any matter delegated to the Board of Executive Directors under paragraphs 2 and 3 of this Article.

Article 30

BOARD OF GOVERNORS: PROCEDURE

1. The Board of Governors shall hold an annual meeting and such other meetings as may be provided for by the Board or called by the Board of Executive Directors. Meetings of the Board of Governors shall be called, by the Board of Executive Directors, whenever requested by one-third of the members of the Bank.
2. A majority of the Governors shall constitute a quorum for any meeting of the Board of Governors, provided that such majority represents not less than two-thirds of the total voting power of the members.
3. The Board of Governors shall by regulation establish a procedure whereby the Board of Executive Directors may, when the latter deems such action advisable, obtain a vote of the Governors on a specific question without calling a meeting of the Board of Governors.
4. The Board of Governors, and the Board of Executive Directors to the extent authorized, may establish such subsidiary bodies as may be necessary or appropriate to conduct the business of the Bank.

Article 31

BOARD OF EXECUTIVE DIRECTORS: COMPOSITION

The Board of Governors, at its 9th Annual Meeting, decided to increase the number of Executive Directors from ten (10) to eleven (11), vide its Resolution No. BG/7-405. During its 23rd Annual Meeting, the Board decided to increase the number of Executive Directors to (14) members vide Resolution No. BG/4-419.

1. The Board of Executive Directors shall be composed of ten (10) members who shall not be members of the Board of Governors. Executive Directors shall be persons of high competence in economic and financial matters and shall be elected in accordance with Rules and Regulations made by the Board of Governors.
2. The Board of Governors shall review, from time to time, the size and composition of the Board of Executive Directors, and may increase the number of Executive Directors as appropriate, paying special regard to the desirability, in the circumstances at that time, of increasing representation in the Board of Executive Directors. Decisions under this paragraph shall be made by vote of a majority of the total number of Governors representing not less than two-thirds of the total voting power of members.
3. Executive Directors shall hold office for a term of three (3) years and may be re-elected. They shall continue in office until their successors are appointed or elected. If the office of an Executive Director becomes vacant more than ninety (90) days before the end of his term, a successor shall be appointed or elected for the remainder of the term, by the Governors who elected the former Executive Director. A majority of the votes cast by such Governors shall be required for such election.

Article 32

BOARD OF EXECUTIVE DIRECTORS: POWERS

The Board of Executive Directors shall be responsible for the direction of the general operations of the Bank and, for this purpose, shall, in addition to the powers assigned to it expressly by this Agreement, exercise all the powers delegated to it by the Board of Governors, and in particular:

- (i) prepare the work of the Board of Governors;
- (ii) take decisions concerning the business of the Bank and its operations in conformity with the general directions of the Board of Governors;
- (iii) submit the accounts for each financial year for approval of the Board of Governors at each annual meeting : and
- (iv) approve the budget of the Bank,

Article 33

BOARD OF EXECUTIVE DIRECTORS: PROCEDURE

1. The Board of Executive Directors shall normally function at the principal office of the Bank and shall meet as often as the business of the Bank may require.
2. A majority of the Executive Directors shall constitute a quorum for any

meeting of the Board of Executive Directors, provided that such majority represents not less than two-thirds of the total voting power of the members.

3. The Board of Governors shall adopt Rules and Regulation under which, if there is no Executive Director of its nationality, a member may send a representative to attend, without right to vote, any meeting of the Board of Executive Directors when a matter particularly affecting that member is under consideration.

Article 34
VOTING

1. Each member shall have five hundred (500) basic votes plus one vote for every share subscribed.
2. In voting in the Board of Governors, each Governor shall be entitled to cast the votes of the member he represents. Except as otherwise expressly provided in this Agreement, all matters before the Board of Governors shall be decided by a majority of the voting power represented at the meeting.
3. In voting in the Board of Executive Directors, each Executive Director shall be entitled to cast the number of votes that counted towards his election, which votes need not be cast as a unit. Except as otherwise expressly provided in this Agreement, all matters before the Board of Executive Directors shall be decided by a majority of the voting power represented at the meeting.

Article 35
THE PRESIDENT

1. The Board of Governors, by a vote of a majority of the total number of Governors, representing not less than two-thirds of the total voting power of the members, shall elect a President of the Bank. He shall be a national of a member country. The President, while holding office, shall not be a Governor or an Executive Director.
2. The term of office of the President shall be five (5) years. He may be re-elected. He shall, however, cease to hold office when the Board of Governors so decides by a vote of a majority of the number of Governors representing not less than two-thirds of the total voting power of the members.
3. The President shall be the Chairman of the Board of Executive Directors but shall have no vote, except a deciding vote in case of an equal division. He may participate in meetings of the Board of Governors but shall not vote.
4. The President shall be the legal representative of the Bank.

5. The President shall be the chief executive of the Bank and shall conduct, under the direction of the Board of Executive Directors, the current business of the Bank. He shall be responsible for the organization, appointment and dismissal of the officers and staff in accordance with Rules and Regulations adopted by the Bank.
6. In appointing the officers and staff, the President shall, subject to the paramount importance of securing the highest standards of efficiency and technical competence, pay due regard to the recruitment of personnel on as wide a geographical basis as possible.

Article 36

VICE-PRESIDENT

1. One or more Vice-Presidents shall be appointed by the Board of Executive Directors on the recommendation of the President. A Vice-President shall be a national of a member country. He shall hold office for such term, exercise such authority and perform such functions in the administration of the Bank, as may, from time to time, be determined by the Board of Executive Directors. In the absence or incapacity of the President, the Vice-President or, if there be more than one, the ranking Vice-President, shall exercise the authority and perform the functions of the President. The Vice-President, while holding office, shall not be a Governor or an Executive Director.
2. A Vice-President may participate in meetings of the Board of Executive Directors but shall have no vote at such meetings, except that the Vice-President or ranking Vice-President, as the case may be, shall cast the deciding vote when acting in place of the President.

Article 37

**INTERNATIONAL CHARACTER OF THE BANK AND PROHIBITION
OF POLITICAL ACTIVITY**

1. The Bank shall not accept loans or assistance that may in any way prejudice, limit, deflect or otherwise alter its purpose or functions.
2. The Bank, its President, Vice-President, Executive Directors, officers and staff shall not interfere in the political affairs of any member, nor shall they be influenced in their decisions by the political character of the member concerned. Only economic considerations shall be relevant to their decisions. Such considerations shall be weighed impartially in order to achieve and carry out the purpose and functions of the Bank.
3. The President, Vice-President, officers and staff of the Bank, in the discharge of their offices, shall owe their duty entirely to the Bank and to no other authority. Each member of the Bank shall respect the international

character of this duty and shall refrain from all attempts to influence any of them in the discharge of their duties.

Article 38

OFFICE OF THE BANK

1. The principal office of the Bank shall be located in Jeddah in the Kingdom of Saudi Arabia.
2. The Bank may establish agencies or branch offices elsewhere.

Article 39

FINANCIAL YEAR

The Bank's financial year shall be the Hijra Year.

Article 40

CHANNEL OF COMMUNICATIONS, DEPOSITORIES

1. Each member shall designate an appropriate official authority with which the Bank may communicate in connection with any matter arising under this Agreement.
2. Each member shall designate its central bank, or such other agency as may be agreed upon with the Bank; as a depository with which the Bank may keep its holdings of currency of that member as well as other assets of the Bank.

Article 41

REPORTS

1. The Bank shall transmit to its members an Annual Report containing an audited statement of its accounts and shall publish such Report. It shall also transmit quarterly to its members a summary statement showing results of its operations.
2. The Bank may also publish such other reports as it deems desirable in the carrying out of its purpose and functions. Such reports shall be transmitted to the members of the Bank.

Article 42

ALLOCATION OF NET INCOME

1. The Board of Governors shall determine annually what part of the net income or surplus of the Bank from ordinary capital operations shall be allocated to reserves, depositors, Special Funds and members: provided that no part of the net income or surplus of the Bank shall be distributed to

members by way of profit until the General Reserves of the Bank shall have attained the level of twenty-five (25) per cent of the subscribed capital.

2. The net income or surplus from special fund operations shall not be distributed by way of profit but shall be credited to the respective Special Funds.
3. Unless otherwise stipulated in the terms of the Trust the net income or surplus from a Trust Fund shall not be distributed by way of profit but shall be credited to the Trust Fund.
4. The distribution to members of the profit referred to in paragraph 1 of this Article shall be made in proportion to the number of shares held by each member and shall be made in such manner and in such currency as the Board of Governors shall determine.

CHAPTER VI
WITHDRAWAL AND SUSPENSION OF MEMBERS,
TEMPORARY SUSPENSION AND TERMINATION OF
OPERATIONS OF THE BANK

Article 43
WITHDRAWAL

1. No member shall have the right to withdraw from the Bank before the expiry of a period of five (5) years from the date of its membership.
2. Subject to paragraph 1 of this Article, any member may withdraw from the Bank by delivering a notice in writing to the Bank at its principal office.
3. Subject to paragraph 1 of this Article, withdrawal by a member shall become effective and its membership shall cease on the date specified in its notice but in no event less than six (6) months after the date that notice has been received by the Bank. However, at any time before the withdrawal becomes effective, the member may notify the Bank in writing of the cancellation of its notice of intention to withdraw.
4. A withdrawing member shall remain liable for all direct and contingent obligations to the Bank to which it was subject at the date its withdrawal becomes effective. The withdrawing member shall also continue to be subject to those terms of this Agreement which, in the opinion of the Bank, affect its investments in that country until arrangements satisfactory to the Bank concerning such investments are concluded between the Bank and that country. When the withdrawal becomes effective, the member shall not incur any liability for obligations resulting from operations of the Bank effected after that date.

5. Any country which ceases to be a member of the Islamic Conference shall be deemed to have given a notice to withdraw from the membership of the Bank under the provisions of this Article. The date when withdrawal becomes finally effective shall be determined by the Board of Governors subject to paragraph 1 of this Article.

Article 44

SUSPENSION OF MEMBERSHIP

1. If a member fails to fulfill any of its obligations to the Bank, the Board of Governors may suspend such member by a vote, representing not less than three-fourths of the total voting power of the members.
2. The member so suspended shall automatically cease to be a member of the Bank one (1) year from the date of its suspension unless the Board of Governors, during that one-year period, decides by the same majority necessary for suspension to restore the member to good standing.
3. While under suspension, a member shall not be entitled to exercise any rights under this Agreement but shall remain subject to all its obligations.

Article 45

SETTLEMENT OF ACCOUNTS ON CESSATION OF MEMBERSHIP

1. After the date on which a country ceases to be a member, it shall remain liable for its direct obligations to the Bank incurred as of that date. It shall also remain responsible for its contingent liabilities to the Bank so long as any part of the loans or guarantees contracted before it ceases to be a member is outstanding but it shall not incur liabilities with respect to loans and guarantees entered into thereafter by the Bank nor share in the income or the expenses of the Bank.
2. At the time a country ceases to be a member, the Bank shall arrange for the repurchase of such country's shares by the Bank as a part of the settlement of accounts with such country in accordance with the provisions of paragraphs 3 and 4 of this Article. For this purpose, the repurchase price of the shares shall be the value shown by the books of the Bank on the date the country ceases to be a member.
3. The payment for shares repurchased by the Bank under this Article shall be governed by the following conditions:
 - (i) any amount due to the country concerned for its shares shall be withheld so long as that country, its central bank or any of its agencies, instrumentalities or political subdivisions has outstanding obligations to the Bank. Any amount due to such country may, at

the option of the Bank, be applied to any liability of such country as it matures.

- (ii) The net amount, equal to the excess of the repurchase price for shares (in accordance with paragraph 2 of this Article) over the aggregate amount of liabilities of the country concerned to the Bank, shall be payable within a period not exceeding five (5) years, as may be determined by the Bank, upon surrender of the corresponding stock certificates;
 - (iii) payments shall be made in freely convertible currency ;
 - (iv) if losses are sustained by the Bank on any guarantees or loans which were outstanding on the date when a country ceased to be a member and the amount of such losses exceeds the amount of the reserve provided against losses on that date, the country concerned shall repay, upon demand, the amount by which the repurchase price of its shares would have been reduced if the losses had been taken into account when the repurchase price was determined.
4. If the Bank terminates its operations pursuant to Article 47 of this Agreement within six (6) months of the date upon which any country ceases to be a member, all rights of the country concerned shall be determined in accordance with the provisions of Articles 47 to 49. Such country shall be considered as still a member for purposes of such Articles but shall have no voting rights.

Article 46

TEMPORARY SUSPENSION OF OPERATIONS

In an emergency, the Board of Executive Directors may temporarily suspend operations in respect of new commitments pending an opportunity for further consideration and action by the Board of Governors.

Article 47

TEMPORARY TERMINATION OF OPERATIONS

1. The Bank may terminate its operations by a resolution of the Governors approved by a vote of two-thirds of the total number of Governors, representing not less than three-fourths of the voting power of the members. After such termination, the Bank shall forthwith cease all activities, except those incident to the orderly realization, conservation and preservation of its assets and settlement of its obligations.
2. Until final settlement of such obligations and distributions of assets, the

Bank shall remain in existence and all mutual rights and obligations of the Bank and its members shall continue unimpaired.

Article 48

LIABILITY OF MEMBERS AND PAYMENT OF CLAIM

1. In the event of termination of the operations of the Bank, the liability of all members for the unpaid portion of the subscribed capital of the Bank shall continue until all claims of creditors, including all contingent claims, shall have been discharged.
2. All creditors holding direct claims shall first be paid out of the assets of the Bank and then out of payments to the Bank on unpaid subscriptions. Before making any payments to the creditors holding claims, the Board of Executive Directors shall make such arrangements as are necessary, in its judgement, to ensure a prorata distribution among holders of direct and contingent claims.

Article 49

DISTRIBUTION OF ASSETS

1. No distribution of assets shall be made to members on account of their subscriptions to the capital stock of the Bank until all liabilities to creditors shall have been discharged or provided for. Such distribution must be approved by the Board of Governors by a vote of two-thirds of the total number of Governors, representing not less than three-fourths of the total voting power of the members.
2. Any distribution of the assets of the Bank to members shall be in proportion to the capital stock held by each member and shall be effected at such times and under such conditions as the Bank shall deem fair and equitable giving priority to depositors. The shares of assets distributed need not be uniform as to type of asset. No member shall be entitled to receive its share in such a distribution of assets until it has settled all of its obligations to the Bank.
3. Any member receiving assets distributed pursuant to this Article shall enjoy the same rights with respect to such assets as the Bank enjoyed prior to the distribution.

**CHAPTER VII
STATUS, IMMUNITIES, EXEMPTIONS
AND PRIVILEGES**

Article 50

PURPOSE OF CHAPTER

To enable the Bank effectively to fulfill its purpose and carry out the

functions entrusted to it, the status, immunities, exemptions and privileges set forth in this Chapter shall be accorded to the Bank in the territory of each member.

Article 51
LEGAL STATUS

The Bank shall be an independent international institution possessing full juridical personality and, in particular, full capacity:

- (i) to contract;
- (ii) to acquire and dispose of immovable and movable property;
and
- (iii) to institute legal proceedings.

Article 52
IMMUNITY FROM JUDICIAL PROCEEDINGS

1. The Bank shall enjoy immunity from every legal process except in cases arising out of or in connection with the exercise of its powers to raise money, or to buy and sell or underwrite the sale of securities in which cases actions may be brought against the Bank in a court of competent jurisdiction in the territory of a country in which the Bank has its principal or a branch office, or has appointed an agent for the purpose of accepting service or notice of process, or has issued or guaranteed securities.
2. Notwithstanding the provisions of paragraph 1 of this Article, no action shall be brought against the Bank by any member, or by any agency or instrumentality of a member, or by any entity or person directly or indirectly acting for or deriving claims from a member or from any agency or instrumentality of the member. Members shall have recourse to such special procedures for the settlement of controversies between the Bank and its members as may be prescribed in this Agreement, in the By-Laws and Regulations of the Bank, or in contracts entered into with the Bank.
3. Property and assets of the Bank shall, wheresoever located and by whomsoever held, be immune from all forms of seizure, attachment or execution before the delivery of final judgment against the Bank.

Article 53
IMMUNITY OF ASSETS

Property and assets of the Bank, wheresoever located and by whomsoever held, shall be immune from search, requisition, confiscation,

expropriation or any other form of taking or foreclosure by administrative or legislative action.

Article 54

IMMUNITY OF ARCHIVES

The archives of the Bank and, in general, all documents belonging to it, or held by it, shall be inviolable wherever located.

Article 55

SECURITY OF DEPOSITS

The Bank shall observe complete secrecy in regard to the depositors' accounts and members shall respect the inviolability of information about such deposits.

Article 56

FREEDOM OF ASSETS FROM RESTRICTIONS

To the extent necessary to carry out the purpose and functions of the Bank effectively, and subject to the provisions of this Agreement, all property and assets of the Bank shall be free from restrictions, regulations, controls and moratoria of any nature.

Article 57

PRIVILEGE FOR COMMUNICATIONS

The official communications of the Bank shall be accorded by each member, treatment which is not less favourable than that accorded by it to any other international organization.

Article 58

IMMUNITIES AND PRIVILEGES OF BANK PERSONNEL

All Governors, Alternates, Executive Directors, the President, officers and employees of the Bank:

- (i) shall be immune from legal process with respect to acts performed by them in their official capacity;
- (ii) where they are not local citizens or nationals, shall be accorded the same immunities from immigration restrictions, alien registration requirements and national service obligations, and the same facilities as regards exchange regulations, as are accorded by members to the representatives, officials and employees of comparable rank of other members; and

- (iii) shall be granted the same treatment in respect of traveling facilities as accorded by members to representatives, officials and employees of comparable rank of other members.

Article 59

EXEMPTION FROM TAXATION

1. The Bank, its assets, property, income and its operations and transaction shall be exempt from all taxation and from all customs duties. The Bank shall also be exempt from any obligation for the payment, withholding or collection of any tax or duty.
2. No tax shall be levied on or in respect of salaries and emoluments paid by the Bank to the President, the Executive Directors, officers or employees of the Bank.
3. No tax shall be levied on any security issued by the Bank, including any dividend thereon, by whomsoever held:
 - (i) which discriminates against such security solely because it is issued by the Bank; or
 - (ii) if the sole jurisdictional basis for such taxation is the place or currency in which it is issued, made payable or paid, or the location of any office or place of business maintained by the Bank.
4. No tax of any kind shall be levied on any security guaranteed by the Bank, including any dividend thereon, by whomsoever held:
 - (i) which discriminates against such security solely because it is guaranteed by the Bank; or
 - (ii) if the sole jurisdictional basis for such taxation is the location of any office or place of business maintained by the Bank.

Article 60

IMPLEMENTATION

Each member, in accordance with its juridical system, shall promptly take such action as is necessary to make effective in its own territory the provisions set forth in this Chapter and shall inform the Bank of the action which it has taken on the matter.

Article 61

WAIVER OF IMMUNITIES, EXEMPTIONS AND PRIVILEGES

The Bank, at its discretion, may waive any of the privileges, immunities and exemptions conferred under this Chapter in any case or instance, in such manner and upon such conditions as it may determine to be appropriate in its best interest.

CHAPTER VIII

AMENDMENTS, INTERPRETATION, ARBITRATION

Article 62

AMENDMENTS

1. This Agreement may be amended only by a resolution of the Board of Governors approved by a vote of two-thirds of the total number of Governors, representing not less than three-fourths of the total voting power of the members.
2. Notwithstanding the provisions of paragraph 1 of this Article, the unanimous agreement of the Board of Governors shall be required for the approval of any amendment modifying:
 - (i) the right to withdraw from the Bank;
 - (ii) the limitations on liability provided in paragraphs 2 and 3 of Article 7; and
 - (iii) the rights pertaining to purchase of capital stock provided in paragraph 4 of Article 5.
3. Any proposal to amend this Agreement, whether emanating from a member or the Board of Executive Directors, shall be communicated to the Chairman of the Board of Governors, who shall bring the proposal before the Board of Governors. When an amendment has been adopted, the Bank shall so certify in an official communication addressed to all members. Amendments shall enter into force for all members three (3) months after the date of the official communication unless the Board of Governors specifies therein a different period.

Article 63

LANGUAGES, INTERPRETATION AND APPLICATION

1. The official language of the Bank shall be Arabic. In addition English and French shall be working languages. The Arabic text of this Agreement shall be regarded as the authentic text for both interpretation and application.

2. Any question of interpretation or application of the provisions of this Agreement arising between any member and the Bank or between two or more members of the Bank, shall be submitted to the Board of Executive Directors for decision. If there is no Executive Director of the nationality of the member country concerned, paragraph 3 of Article 33 shall be applicable.
3. Any member may require, within six (6) months of the date of the decision under paragraph 2 of this Article, that the question be referred to the Board of Governors, whose decision shall be final. Pending the decision of the Board of Governors, the Bank, may, so far as it deems it necessary, act on the basis of the decision of the Board of Executive Directors.

Article 64
ARBITRATION

If a disagreement should arise between the Bank and a country which has ceased to be a member, or between the Bank and any member, after adoption of a resolution to terminate the operations of the Bank, such disagreement shall be submitted to arbitration by a tribunal of three (3) arbitrators. One of the arbitrators shall be appointed by the Bank, another by the country concerned, and the third, unless the parties otherwise agree, by the President of the International Court of Justice or such other authority as may have been prescribed by Rules and Regulations adopted by the Board of Governors. A majority vote of the arbitrators shall be sufficient to reach a decision which shall be final and binding upon the parties. The third arbitrator shall be empowered to settle all questions of procedure in any case where the parties are in disagreement with respect thereto.

Article 65
APPROVAL DEEMED GIVEN

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

CHAPTER IX
FINAL PROVISIONS

Article 66
SIGNATURE AND DEPOSIT

1. The original of this Agreement in a single copy in the Arabic, English and French language shall remain open for signature until 15th Shawwal, 1394H/ October 31st, 1974 at the office of the Saudi Arabian Monetary Agency by the Governments of countries listed in Annexure A to this Agreement. This document shall be deposited at the principal office of the Bank upon its establishment.

2. The Depository shall send certified copies of this Agreement to all the Signatories and other countries which become members of the Bank.

Article 67

RATIFICATION OR ACCEPTANCE

This Agreement shall be subject to ratification or acceptance by the Signatories. Instruments of ratification or acceptance shall be deposited with the depository who shall duly notify the other Signatories of each deposit and the date thereof.

Article 68

ENTRY INTO FORCE

This Agreement shall come into force when Instruments of ratification or acceptance shall have been deposited by Signatories whose subscriptions in the Aggregate comprise not less than five hundred million (500,000,000) Islamic Dinars.

Article 69

COMMENCEMENT OF OPERATIONS

1. As soon as this Agreement enters into force, each member shall appoint a Governor and an Alternate.
2. At its inaugural meeting, the Board of Governors shall :
 - (i) elect the President of the Bank;
 - (ii) make arrangements for the election of the Executive Directors of the Bank; and
 - (iii) make arrangements for the determination of the date on which the Bank shall commence its operations.
3. The Bank shall notify its members of the date of the commencement of its operations.

DONE at the city of Jeddah,
the Kingdom of Saudi Arabia.
This 24th day of Rajab 1394H.
corresponding to the 12th day of August
1974 in one copy each in Arabic, English and French.

**INITIAL SUBSCRIPTION TO THE
AUTHORIZED CAPITAL STOCK**

No	Country	Signature Date		Amount of Subscription in millions of (Islamic Dinars)
		Hijra	Gregorian	
1	Algerian Democratic and Popular Republic	24/ 7/1394	12/ 8/1974	25.0
2	State of United Arab Emirates	24/ 7/1394 14/10/1394	12/ 8/1974 29/10/1974	100.0 10.0
3	State of Bahrain	6/10/1394	21/10/1974	5.0
4	Republic of Chad	24/ 7/1394	12/ 8/1974	2.5
5	Arab Republic of Egypt	24/ 7/1394	12/ 8/1974	25.0
6	Republic of Guinea	24/ 7/1394	12/ 8/1974	2.5
7	Republic of Indonesia	24/ 7/1394	12/ 8/1974	25.0
8	Hashemite Kingdom of Jordan	24/ 7/1394	12/ 8/1974	4.0
9	State of Kuwait	24/7/1394 6/10/1394	12/8/1974 31/10/1974	50.0 50.0
10	Republic of Lebanon	24/ 7/1394	12/ 8/1974	2.5
11	Arab Republic of Libya	16/ 8/1394	24/ 8/1974	125.0
12	Malaysia	24/ 7/1394	12/ 8/1974	16.0
13	Republic of Mali	24/ 7/1974	12/ 8/1974	2.5
14	Islamic Republic of Mauritania	24/ 7/1394	12/ 8/1974	2.5
15	Kingdom of Morocco	24/ 7/1394	12/ 8/1974	5.0
16	Republic of Niger	24/ 7/1394	12/8/1974	2.5
17	Sultanate of Oman	24/ 7/1394	12/ 8/1974	5.0
18	Islamic Republic of Pakistan	24/ 7/1394	12/ 8/1974	25.0
19	State of Qatar	24/ 7/1394 29/12/1394	12/ 8/1974 12/1/1975	20.0 5.0
20	Kingdom of Saudi Arabia	24/ 7/1394	12/ 8/1974	200.0
21	Republic of Senegal	24/ 7/1394	12/ 8/1974	2.5
22	Democratic Republic of Somalia	24/ 7/1394	12/ 8/1974	2.5
23	Democratic Republic of Sudan	24/ 7/1394	12/ 8/1974	10.-
24	Republic of Tunisia	24/ 7/1394	12/ 8/1974	2.5
25	The Yemen Arab Republic	24/ 7/1394	12/ 8/1974	2.5
26	Republic of Bangladesh	24/ 7/1394	12/ 8/1974	10.0
27	Republic of Turkey	24/ 7/1394	12/8/1974	10.0
28	The Syrian Arab Republic			2.5
29	The Afghanistan Republic			2.5
			Total	755.-

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