

**May 23, 1955**

## **ARTICLES OF AGREEMENT OF THE INTERNATIONAL FINANCE CORPORATION**

Note: The Agreement entered into force, July 20, 1956, and with respect to the Philippines, August 12, 1947.

Reference: This Agreement is also published in 264 UNTS, p. 117.

The Governments on whose behalf this Agreement is signed agree as follows:

### **INTRODUCTORY ARTICLE**

The INTERNATIONAL FINANCE CORPORATION (hereinafter called the Corporation) is established and shall operate in accordance with the following provisions:

#### **ARTICLE I**

##### **PURPOSE**

The purpose of the Corporation is to further economic development by encouraging the growth of productive private enterprise in member countries, particularly in the less developed areas, thus supplementing the activities of the International Bank for Reconstruction and Development (hereinafter called the Bank). In carrying out this purpose, the Corporation shall:

- (i) in association with private investors, assist in financing the establishment, improvement and expansion of productive private enterprises which would contribute to the development of its member countries by making investments, without guarantee of repayment by the member government concerned, in case where sufficient private capital is not available on reasonable terms;
- (ii) seek to bring together investment opportunities, domestic and foreign private capital, and experienced management; and
- (iii) seek to stimulate, and help create conditions conducive to, the flow of private capital, domestic and foreign, into productive investment in member countries.

The Corporation shall be guided in all its decisions by the provisions of this Article.

#### **ARTICLE II**

##### **MEMBERSHIP AND CAPITAL**

###### **SECTION 1. MEMBERSHIP**

- (a) The original members of the Corporation shall be those members of the Bank listed in Schedule A hereto which shall, on or before the date specified in Article IX, Section 2(c), accept membership in the Corporation.

(b) Membership shall be open to other members of the Bank at such times and in accordance with such terms as may be prescribed by the Corporation.

## SECTION 2. CAPITAL STOCK

(a) The authorized capital stock of the Corporation shall be \$100,000,000 in terms of United States dollars.

(b) The authorized capital stock shall be divided into 100,000 shares having a par value of one thousand United States dollars each. Any such shares not initially subscribed by original members shall be available for subsequent subscription in accordance with Section 3 (d) of this Article.

(c) The amount of capital stock at any time authorized may be increased by the Board of Governors as follows:

(i) by a majority of the votes cast, in case such increase is necessary for the purpose of issuing shares of capital stock on initial subscription by members other than original members, provided that the aggregate of any increases authorized pursuant to this subparagraph shall not exceed 10,000 shares;

(ii) in any other case, by a three-fourths majority of the total voting power.

(d) In case of an increase authorized pursuant to paragraph (c) (ii) above, each member shall have a reasonable opportunity to subscribe under such conditions as the Corporation shall decide, to a proportion of the increase of stock equivalent to the proportion which its stock theretofore subscribed bears to the total capital stock of the Corporation, but no member shall be obligated to subscribe to any part of the increased capital.

(e) Issuance of shares of stock, other than those subscribed either on initial subscription or pursuant to paragraph (d) above, shall require a three-fourths majority of the total voting power.

(f) Shares of stock of the Corporation shall be available for subscription only by, and shall be issued only to, members.

## SECTION 3. SUBSCRIPTIONS

(a) Each original member shall subscribe to the number of shares of stock set forth opposite its name in Schedule A. The number of shares of stock to be subscribed by other members shall be determined by the Corporation.

(b) Shares of stock initially subscribed by original members shall be issued at par.

(c) The initial subscription of each original member shall be payable in full within 30 days after either the date on which the Corporation shall begin operations pursuant to Article IX, Section 3 (b), or the date on

which such original member becomes a member, whichever shall be later, or at such date thereafter as the Corporation shall determine. Payment shall be made in gold or United States dollars in response to a call by the Corporation which shall specify the place or places of payment.

(d) The price and other terms of subscription of shares of stock to be subscribed, otherwise than on initial subscription by original members, shall be determined by the Corporation.

#### SECTION 4. LIMITATION ON LIABILITY

No member shall be liable, by reason of its membership, for obligations of the Corporation.

#### SECTION 5. RESTRICTION ON TRANSFERS AND PLEDGES OF SHARES

Shares of stock shall not be pledged or encumbered in any manner whatever, and shall be transferable only to the Corporation.

### **ARTICLE III**

### **OPERATIONS**

#### SECTION 1. FINANCING OPERATIONS

The Corporation may make investments of its funds in productive private enterprises in the territories of its members. The existence of a government or other public interest in such an enterprise shall not necessarily preclude the Corporation from making an investment therein.

#### SECTION 2. FORMS OF FINANCING

(a) The Corporation's financing shall not take the form of investments in capital stock. Subject to the foregoing, the Corporation may make investments of its funds in such form or forms as it may deem appropriate in the circumstances, including (but without limitation) investments according to the holder thereof the right to participate in earnings and the right to subscribe to, or to convert the investment into, capital stock.

(b) The Corporation shall not itself exercise any right to subscribe to, or to convert any investment into, capital stock.

#### SECTION 3. OPERATIONAL PRINCIPLES

The operations of the Corporation shall be conducted in accordance with the following principles:

(i) the Corporation shall not undertake any financing for which in its opinion sufficient private capital could be obtained on reasonable terms;

(ii) the Corporation shall not finance an enterprise in the territories of any member if the member objects to such financing;

(iii) the Corporation shall impose no conditions that the proceeds of any financing by it shall be spent in the territories of any particular country;

(iv) the Corporation shall not assume responsibility for managing any enterprise in which it has invested ;

(v) the Corporation shall undertake its financing on terms and conditions which it considers appropriate, taking into account the requirements of the enterprise the risks being undertaken by the Corporation and the terms and conditions normally obtained by private investors for similar financing;

(vi) the Corporation shall seek to revolve its funds by selling its investments to private investors whenever it can appropriately do so on satisfactory terms;

(vii) the Corporation shall seek to maintain a reasonable diversification in its investments.

**SECTION 4. PROTECTION OF INTERESTS** Nothing in this Agreement shall prevent the Corporation, in the event of actual or threatened default on any of its investments, actual or threatened insolvency of the enterprise in which such investment shall have been made, or other situations which, in the opinion of the Corporation, threaten to jeopardize such investment from taking such action and exercising such rights as it may deem necessary for the protection of its interests.

#### **SECTION 5. APPLICABILITY OF CERTAIN FOREIGN EXCHANGE RESTRICTIONS**

Funds received by or payable to the Corporation in respect of an investment of the Corporation made in any member's territories pursuant to Section 1 of this Article shall not be free, solely by reason of any provision of this Agreement from generally applicable foreign exchange restrictions, regulations and controls in force in the territories of that member.

#### **SECTION 6. MISCELLANEOUS OPERATIONS**

In addition to the operation specified elsewhere in this Agreement, the Corporation shall have the power to:

(i) borrow funds, and in that connection to furnish such collateral or other security therefor as it shall determine; provided, however, that before making a public sale of its obligations in the markets of a member, the Corporation shall have obtained the approval of that member and of the member in whose currency the obligations are to be denominated;

(ii) invest funds not needed in its financing operations in such obligations as it may determine and invest funds held by it for pension or similar purposes in any marketable securities all without being subject to the restrictions imposed by other sections of this Article;

(iii) guarantee securities in which it has invested in order to facilitate their sale;

(iv) buy and sell securities it has issued or guaranteed or in which it has invested;

(v) exercise such other powers incidental to its business as shall be necessary or desirable in furtherance of its purposes.

## SECTION 7. VALUATION OF CURRENCIES

Whenever it shall become necessary under this Agreement to value any currency in terms of the value of another currency, such valuation shall be reasonably determined by the Corporation after consultation with the International Monetary Fund.

## SECTION 8. WARNING TO BE PLACED ON SECURITIES

Every security issued or guaranteed by the Corporation shall bear on its face a conspicuous statement to the effect that it is not an obligation of the Bank or, unless expressly stated on the security, of any government.

## SECTION 9. POLITICAL ACTIVITY PROHIBITED

The Corporation and its officers 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 or members concerned. Only economic considerations shall be relevant to their decisions, and these considerations shall be weighed impartially in order to achieve the purposes stated in this Agreement.

# ARTICLE IV

## ORGANIZATION AND MANAGEMENT

### SECTION 1. STRUCTURE OF THE CORPORATION

The Corporation shall have a Board of Governors, a Board of Directors, a Chairman of the Board of Directors, a President and such other officers and staff to perform such duties as the Corporation may determine.

### SECTION 2. BOARD OF GOVERNORS

(a) All the powers of the Corporation shall be vested in the Board of Governors.

(b) Each Governor and Alternate Governor of the Bank appointed by a member of the Bank which is also a member of the Corporation shall ex officio be a Governor or Alternate Governor, respectively, of the Corporation. No Alternate Governor may vote except in the absence of his principal. The Board of Governors shall select one of the Governors as Chairman of the Board of Governors. Any Governor or Alternate Governor shall cease to hold office if the member by which he was appointed shall cease to be a member of the Corporation.

(c) The Board of Governors may delegate to the Board of Directors authority to exercise any of its powers, except the power to:

(i) admit new members and determine the conditions of their admission;

(ii) increase or decrease the capital stock;

(iii) suspend a member;

(iv) decide appeals from interpretations of this Agreement given by the Board of Directors;