No. 6277

INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT and ISRAEL

Memorandum of Understanding in respect of the Letter of Pledge to be delivered by the Bank of Israel to the International Bank for Reconstruction and Development (with the said Letter of Pledge annexed thereto). Dated at Jerusalem, on 1 February 1962

Official text: English.

Registered by the International Bank for Reconstruction and Development on 3 August 1962.

BANQUE INTERNATIONALE POUR LA RECONSTRUCTION ET LE DÉVELOPPEMENT et ISRAËL

Mémorandum d'accord relatif à l'Acte de nantissement à remettre par la Banque d'Israël à la Banque internationale pour la reconstruction et le développement (avec, en annexe, le texte de l'Acte de nantissement). Daté de Jérusalem, le 1er février 1962

Texte officiel anglais.

Enregistré par la Banque internationale pour la reconstruction et le développement le 3 août 1962.

No. 6277. MEMORANDUM OF UNDERSTANDING[1] BETWEEN THE STATE OF ISRAEL AND THE INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT IN RESPECT OF THE LETTER OF PLEDGE TO BE DELIVERED BY THE BANK OF ISRAEL TO THE INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT. DATED AT JERUSALEM, ON 1 FEBRUARY 1962

Reference is made to the Loan Agreement (*Port Project*) between the State of Israel and the International Bank for Reconstruction and Development (" the Bank ") dated September 9, 1960,[2] to the Guarantee Agreement (*Potash Project*) between the State of Israel and the Bank, dated July 11, 1961[3] and to the agreement for time deposit between the Bank of Israel and the Bank of America National Trust and Savings Association of California dated February 1, 1962 (hereinafter called " the Deposit Agreement "), of copy of which has been handed by the State of Israel to the Bank.

1. As soon as the Deposit Agreement becomes effective, or as soon as the Bank of Israel deposits the amount specified in the Deposit Agreement, whichever shall first occur, the State of Israel shall cause the Bank of Israel to deliver to the Bank a Letter of Pledge (" the Letter of Pledge ") in the form of the draft[4] attached hereto and to deliver to the Deutsche Bundesbank, Frankfurt/Main, Federal Republic of Germany, as nominee of the International Bank, and pledge to the International Bank, the bonds referred to in the Letter of Pledge having an aggregate Market Value (as therein defined) of not less than U.S. $5,000,000.

2. The Bank will receive evidence satisfactory to the Bank of the authority of the person or persons who would take any action on behalf of the Bank of Israel under the Letter of Pledge.

3. The Bank will also receive a legal opinion or legal opinions satisfactory to the Bank of Counsel acceptable to the Bank establishing that the Letter of Pledge in the form of the draft attached has been duly authorized by and executed on behalf of the Bank of Israel and constitutes a valid and binding obligation of the Bank of Israel.

[1] Came into force on 13 March 1962, upon confirmation on behalf of the Bank.
[2] United Nations, *Treaty Series*, Vol. 406, p. 3.
[3] United Nations, *Treaty Series*, Vol. 429, p. 3.
[4] See p. 158 of this volume.

4. On the foregoing terms and conditions the Bank agrees to the arrangements set forth in the Deposit Agreement.

For and on behalf of the State of Israel :
L. ESHKOL
Minister of Finance

Jerusalem, February 1, 1962

Confirmed:
International Bank for
Reconstruction and Development :
By Alexander STEVENSON
Assistant Director
Department of Operations
South Asia and Middle East
March 13, 1962

BANK OF ISRAEL

Office of the Governor

Jerusalem, February 1, 1962

International Bank for
Reconstruction and Development
1818 H Street, N.W.
Washington 25, D.C.

Dear Sirs,

1. The State of Israel by (*a*) its Loan Agreement (*Port Project*) with the International Bank for Reconstruction and Development (hereinafter called " the International Bank ") dated September 9, 1960 (hereinafter called " the Port Loan Agreement ") and (*b*) by its Guarantee Agreement with the International Bank dated July 11, 1961, (hereinafter called " the Potash Guarantee Agreement ") being collateral to the Loan Agreement (hereinafter called " the Potash Loan Agreement ") of the same date between the International Bank and Dead Sea Works Limited has agreed (except as the International Bank shall otherwise agree and subject to certain other exceptions), that if any lien shall be created on any assets of the State of Israel or any of its political subdivisions or any agency of the State of Israel or of any such political subdivision, including the Bank of Israel, to secure any external debt, it shall secure equally and ratably with such secured external debt the payment respectively of the principal of, and interest and other charges on, the loan provided for in the Port Loan Agreement and the bonds delivered thereunder and the loan provided for in the Potash Loan Agreement and the bonds delivered thereunder.