

**ARTICLES OF AGREEMENT
OF THE ECO TRADE AND
DEVELOPMENT BANK**

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OF THE TRADE & DEVELOPMENT BANK
OF THE ECONOMIC COOPERATION ORGANIZATION

The Islamic Republic of Iran, the Islamic Republic of Pakistan and the Republic of Turkey, hereinafter referred to Economic Cooperation Organization (Founding Members) have agreed to establish hereby a bank by the name of “ECO Trade and Development Bank” on the basis of principles embodied in the Treaty of Izmir to promote intra-regional trade and economic cooperation with a view to accelerate the process of economic development of ECO countries.

NOW THEREFORE, it is hereby agreed that the ECO Trade and Development Bank (hereinafter referred to as “the Bank”) be established and operate in accordance with the following provisions:

Chapter I

Purposes, Functions, Powers and Membership

Article 1

Purposes

The Bank shall mobilize resources for the purposes of initiating, promoting and providing financial facilities to expand intra-regional trade and accelerate economic development of ECO Member Countries.

Article 2

Functions and Powers

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

- a) to finance development projects and intra-regional trade in the ECO countries,
- b) to cooperate with national and international financial institutions and use such institutions as financing channels for its operations,
- c) to establish special funds for specific purposes and to operate in accordance with the regulations approved by the Board of Governors,
- d) to undertake any kind of banking activities to mobilize resources and provide other banking services as may be necessary or incidental to the advancement of its purposes.

Article 3

Membership

Members of the Bank shall comprise of:

1. The Governments of ECO member countries, and/or
2. The Banks and other financial institutions of any member country (with the approval of their respective Governments) subject to the condition that the three ECO founding members viz. Islamic Republic of Iran, Islamic Republic of Pakistan and Republic of Turkey shall at all times hold equal number of shares and their total holding of shares shall always form the majority share capital of the Bank.
3. A list of all the shareholders shall be annexed with these articles and shall be updated from time to time.

Chapter II

Financial Resources

Article 4

Authorized and Subscribed Capital

1. The unit of account of the Bank shall be the ECO Unit (E.U.). Each EU is equivalent to one Special Drawing Right (SDR) of the International Monetary Fund (IMF).
2. The authorized capital of the Bank shall be EU 1000 million divided into 10,000 shares each having a par value of EU 100,000. Out of the said authorized capital EU 700 million may become payable, upon a unanimous decision of the Board of Governors, by the member countries in such manner and on such terms as deemed fit by the Board of Governors.
3. EU 300 million out of the authorized capital shall be subscribed by the founding members and paid in the manner provided hereunder:
 - a) The equivalent of EU 60 million shall be initially paid by the founding members in equal amounts within 90 days from the date of the coming into force of these Articles of Agreement (Establishment Date) in accordance with the provisions of Article 44 of hereinbelow.
 - b) Equivalent of EU 240 million shall be paid in 10 equal consecutive annual installments starting with the date 12 calendar months after the Establishment Date. The Board of Governors may, however, decide that the payment of the subscribed capital by financing members may be completed earlier than the schedule provided for hereinabove.

4. In case of admission of new members the terms and conditions of their subscription of capital shall be determined by the Board of Governors.
5. **The authorized capital or the subscribed portion of it may be increased by the vote of the Board of Governors. Each founding member shall subscribe to such increase on equal basis subject to the provisions of Article 3.**
6. All capital contributions by members shall be made in currencies of SDR basket.

Article 5

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 as may be recommended by a member country and unanimously approved by the Board of Governors.
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.

Chapter III

Operations

Article 6

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.
 - ii) the prospect that the recipients of its facilities and their guarantors, if any, will be in a position to meet their obligations under the contract.
 - iii) the objective of promoting complementarities in the economies of ECO member countries.
 - iv) the promotion of the well-being of people in ECO member countries through economic and social development and the enlargement of opportunities for gainful employment.
 - v) promoting economic development of the ECO region by giving preference to

procurement from ECO member countries.

2. The Bank shall, as far as practicable, accord priority to projects, which promote and strengthen economic cooperation among ECO member countries.
3. The Bank may provide financing for the foreign exchange component of the total cost of a project and it may also provide financing for the domestic currency component based on rules and regulations as may be approved by the Board of Directors from time to time.

Article 7
Equity Participation

The total amount of equity investment of the Bank shall not exceed 20 percent of the paid-in capital of the Bank.

Article 8

Application of Local Rules and Regulations

The Bank shall ensure that all of its operations in any country in any form shall be covered and protected by the provisions of domestic laws of the respective country.

Chapter IV
Currencies

Article 9
Determination of Exchange Rates

1. The determination of exchange rates or the settlement for any question regarding the exchange rates shall be made by the Bank on the basis of international quotations. For the purpose of such determination the Bank may obtain information, if considered necessary, from the International Monetary Fund (IMF).
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 10

Use and Conversion of Currencies

1. A member shall, at the request of the Bank, facilitate the prompt conversion of its currency by the Bank into freely convertible currency provided that the convertibility of funds raised locally shall be subject to regulations of that country.
2. ECO member countries shall impose no restrictions on the remittance of profits and repatriation of capital by the Bank in convertible currency acceptable to the Bank.

Article 11

Denomination of Transactions

The Bank's foreign currency facilities shall be denominated and payable in the currencies of which the SDR is composed or in E.U. All foreign currency obligations to the Bank shall be discharged in freely convertible currencies acceptable to the Bank.

Chapter V

Organization and Management

Article 12

Structure

The Bank shall have a Board of Governors, a Board of Directors, President, Vice Presidents, Auditors, Inspectors and such other officers and staff as may be considered necessary. The Governors, Directors, President and Vice Presidents shall all be nationals of member countries.

Article 13

Board of Governors

Composition

1. Each member country shall be represented on the Board of Governors and shall appoint one Governor and one Alternate Governor. Banks and other financial institutions of a particular member country having contributed towards capital of the Bank shall be represented by the Governor appointed by their Government.
2. Each Governor and each Alternate Governor shall serve at the pleasure of the appointing member. No Alternate Governor 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 a new Chairman at the next annual meeting of the Board.
3. Governors and Alternate Governors shall serve as such without remuneration from the Bank, by the Bank may reimburse them for reasonable expenses incurred in attending meetings.

Article 14

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 Directors any or all of its

powers, except the power to:

- i) increase or decrease the authorized capital of the Bank,
 - ii) admit new members and determine conditions of their admissions,
 - iii) decide on interpretation or applications of this Agreement as may be requested by the Board of Directors or otherwise,
 - iv) authorize the conclusion of agreement for cooperation with other international organizations,
 - v) elect the President of the Bank,
 - vi) determine the remuneration of the Directors and the salary and other terms of the contract of services of the President,
 - vii) approve, after reviewing the auditors' report, the balance sheet and the statement of profit and loss of the Bank,
 - viii) determine the reserves and distribution of the profit of the Bank,
 - ix) amend this Agreement upon the proposal made by the Board of Directors or by a member,
 - x) decide to terminate the operations of the Bank and to distribute its assets,
 - xi) exercise such other special powers as are expressly assigned to the Board of Governors in this Agreement or any other matter referred to it by the Board of Directors.
3. The Board of Governors, and the 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 Directors under paragraph 2 and 3 of this Article.

Article 15

Board of Governors: Procedure

1. The Board of Governors shall hold an annual meeting and such other meetings deemed necessary by the Board or called by the Board of Directors. Meetings of the Board of Governors shall be called by the Board of Directors whenever requested by the Board or any one Governor, representing a Founding Member.
2. The quorum for any meeting of the Board of Governors shall be simple majority of the Governors with all the three of the Governors representing ECO Founding Members

present and in the absence of any Governor by his Alternate Governor.

3. The Board of Governors shall, establish a procedure whereby the Board of Directors may, when the latter deems such an action advisable, obtain a vote of the Governors on a specific question without calling a meeting of the Board of Governors.

Article 16

Board of Directors

1. The Board of Directors shall consist of not more than six Directors and six Alternate Directors. Each ECO Founding Member shall appoint one Director and one Alternate Director. Other members representing at least 15 percent of the voting rights or, such other minimum rights as may be decided by the Board of Governors, shall be entitled to appoint one Director and one Alternate Director.

2. Directors and the Alternates shall hold office for a term of three (3) years and may be reappointed. They shall continue in office until their successors are appointed. If the office of a Director becomes vacant for 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 member who appointed the former Director.

Article 17

Board of Directors: Powers

The Board of Directors shall be responsible for the operation 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) take decisions concerning the business of the Bank and its operations in conformity with the general directions of Board of Governors;
- II) submit the accounts for each financial year for the approval of the Board of Governors at each annual meeting; and
- III) approve the budget of the Bank;
- IV) propose to the Board of Governors any amendment to this Agreement.
- V) establish such branches, subsidiaries and representative offices as may be necessary or appropriate to conduct the business of the Bank.

Article 18
Board of Directors: Procedures

The Board of Directors shall meet as often as the business of the Bank may require but not less than six times a year.

Article 19 Voting

All matters before the Boards of Governors and Directors shall be decided by a majority not less than 85 percent of the voting power. Each share represents one vote.

Article 20

Management The President

1. The President of the Bank shall be appointed by the Board of Governors. The President, while holding the office, shall not be a Governor or a Director or their Alternate.
2. The term of office of the first President shall be five (5) years. Each subsequent President shall be appointed for a term of four (4) years. He shall, however, cease to hold office when the Board of Governors so decides.
3. The meetings of the Board of Directors shall be convened under the Chairmanship of the President but he shall have no vote. 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 chief executive of the Bank and shall conduct, under the direction of the Board of 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 the staff, the President shall pay due regard to the recruitment of personnel equitably from among the ECO member countries, taking into consideration the importance and necessity for securing the highest standards of efficiency and technical competence.

Article 21

Management Vice Presidents

1. At least three Vice-Presidents shall be appointed by the Board of Directors on the recommendation of the President. Each shall be a national of each respective founding member country, and shall hold office for a term of five (5) years 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 Directors. In the absence of the President, one of the Vice-Presidents nominated by the President shall exercise the authority and perform the function of the President. A Vice-President, while holding office, shall not be a Governor or Director.

2. Vice-Presidents may participate in meetings of the Board of Directors but shall have no vote at such meetings.

Article 22

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 purposes or functions.
2. The Bank, its President, Vice-Presidents, 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. The Bank shall follow internationally accepted financial rules, procedures and standards and only commercial and economic considerations shall be relevant to the decisions.
3. The President, Vice-Presidents, 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 his duty and shall refrain from all attempts to influence any of them in the discharge of their duties.

Article 23

Office of the Bank

1. The principal office of the Bank shall be located in the Republic of Turkey with two Branches to be opened within six months in Iran and Pakistan after the commencement of the Bank's operations and with the possibility of opening branch offices in other member states on mutually agreed basis keeping in view their economic and commercial viability.
2. The Bank may enter into arrangements with other organizations with respect to the exchange of information or for other purposes consistent with this Agreement and by the approval of the Board of Governors.
3. The Board of Directors may decide upon opening of other branches of the Bank, provided that where a proposal for establishment of a branch has support of **51%** majority of Directors but fails to gain the approval of **85%** majority such proposal may be referred to the Board of Governors for decision by simple majority notwithstanding the provision of Article 19.

Article 24

Financial Year

The Bank's financial year shall start from January 1 and end on December 31.

Article 25

Channel of Communication, 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 holding of currency of that member as well as other assets of the Bank.

Article 26

Auditors – Reports

1. Upon the recommendations of the Board of Directors and approval of the Board of Governors, qualified external auditors of international repute registered in a member country shall be appointed for a term of one year, renewable on such terms and conditions as approved by the Board of Directors to audit the affairs of the Bank and to report to the Board of Directors on a periodic basis as may be decided by the Board of Directors.
2. The Bank shall transmit to its members and the ECO Secretariat an annual report containing non audited statement of its accounts and shall publish such reports. It shall also transmit quarterly to its members a summary showing the results of its operations.
3. The Bank may also publish such other reports as it deems desirable in carrying out its purposes and functions. Such reports shall be transmitted to the members of the Bank and the ECO Secretariat.

Article 27

Allocation of Net Income

The Board of Governors shall determine annually what part of the net income of the Bank from ordinary capital operations shall be allocated to reserves, provided that no part of the net income 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) percent of the subscribed capital.

CHAPTER VI

Withdrawal and Termination of

Operations of the Bank Article 28

Withdrawal

1. Within six months after coming into force of this Agreement, the Board of Governors shall adopt the terms and conditions and the necessary regulations which shall govern the arrangements for withdrawal of a member. The said terms and conditions and the relevant regulations shall then become an integral part of this Agreement.
2. If a member fails to comply with its obligations and commitments under this Agreement then the Board of Governors shall decide on the appropriate actions to be taken by the Bank for dealing with such problem.

Article 29

Temporary Suspension of Operations

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

Article 30

Termination of Operations

1. In the event that the governments of ECO member countries through a resolution of the Board of Governors decide to terminate the operations of the Bank, the Bank shall forthwith cease all activities, except those incidental to the orderly realization, conservation and preservation of its assets and settlement of its obligations.
2. Until final settlement of such obligations and distribution of assets, the Bank shall remain in existence and all mutual rights and obligations of the Bank and its members shall continue unimpaired.

Article 31

Liability of Members and Payment of Claims

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. Before making any payment to any claimant having a claim against the Bank, the Board of Governors shall make proper arrangements for realization and liquidation of assets

of the Bank and shall make decisions about the priorities with which each claim is to be settled with due regard to the local laws and regulations.

Article 32

Distribution of Assets

1. No distribution of assets shall be made to members on account of their subscriptions to the capital share 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.
2. Any distribution of the assets of the Bank to members shall be in proportion to the shares 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 share 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 33

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 34

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 35

Secrecy of Transactions

The Bank shall observe complete secrecy in regard to the accounts of its clients and members shall respect the inviolability of such transactions.

Article 36 Privileges for Communication

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

Article 37

Immunities and Privileges of Bank personnel

All Governors, Directors, Alternates, the President, officers and employees of the Bank where they are not local citizens or nationals, shall be accorded the same immunities from immigration restrictions, alien registration requirements and national service obligations, as are accorded by members to the representatives, officials and employees of comparable rank of similar international organizations.

Article 38

Implementation

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

Chapter VIII

Amendments, Interpretation and Arbitration

Article 39

Amendments

1. This Agreement may be amended only by a resolution of the Board of Governors.
2. Any proposal to amend this Agreement, whether emanating from a member or the Board of Directors, shall be communicated to the Chairman of 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 40

Language, Interpretation, Application and Arbitration

1. The official language for communication of the Bank shall be English. The English text of this Agreement shall be regarded as authentic text for both interpretation and application.
2. Any question of interpretation or application of the provisions of this Agreement shall be submitted to the Board of Governors.
3. If any dispute arises between the Bank and a member country or amongst the members with regard to any matter relating to or arising out of the operation of the Bank, such dispute shall be submitted to the Board of Governors for decision.

Article 41

Approval Deemed Given

Whenever the approval of any member is required before any act may be done by the Bank, except an act under Article 39 and 42 approval shall be deemed to have been given unless the member presents an objection within sixty (60) days, in notifying the member of proposed act.

Chapter IX

Final Provisions

Article 42

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 Secretariat of the ECO who shall duly notify the other Signatories of each deposit and the date thereof.

Article 43

Signature and Deposit

1. The original of this Agreement in a single copy in English language shall be deposited at the Secretariat of the Economic Cooperation Organization.
2. This document shall be deposited at the Principal Office of the Bank upon its establishment. The Bank shall send certified copies of this Agreement to all the signatories, the Secretariat of the Economic Cooperation Organization and other countries which become members of the Bank.

Article 44

Entry into Force

This Agreement shall come into force when instruments of ratification or acceptance shall have been deposited by the three ECO founding members. The ECO Secretariat shall inform the members of the date of entry into force of this Agreement (Establishment Date).

Article 45

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:
 - a) appoint the President of the Bank;
 - b) make arrangements for the appointment of the Directors of the Bank; and
 - c) 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.

IN WITNESS whereof duly authorized representative have affixed their signatures on behalf of their Governments.

DONE AT Islamabad on this 15th day of March in the year one thousand nine-hundred and ninety-five in one single copy in English.

FOR THE ISLAMIC REPUBLIC OF IRAN-----

FOR THE ISLAMIC REPUBLIC OF PAKISTAN-----

FOR THE REPUBLIC OF TURKEY-----