



**RULES AND REGULATIONS
OF THE AIIB SPECIAL FUND WINDOW
UNDER COVID-19 CRISIS RECOVERY FACILITY**

WHEREAS:

- (a) The Asian Infrastructure Investment Bank (Bank or AIIB) is empowered by Article 17.1 of its Articles of Agreement (the “Bank’s Articles”) to establish and administer Special Funds and carry out special operations financed from such Special Funds;
- (b) The establishment of the AIIB Special Fund Window under Covid-19 Crisis Recovery Facility (Fund) to reduce the financial burden of AIIB’s lower-income members to access financing under the COVID-19 Crisis Recovery Facility (Facility), in accordance with Article 17.1 of the Bank’s Articles, serves the purpose and comes within the functions of the Bank;
- (c) To this end, the Board of Directors of the Bank adopted the rules and regulations (Rules and Regulations) governing the establishment and operation of the Fund as follows.

ARTICLE I – THE FUND

Section 1.1 Establishment of the Fund

The Fund has been established as a Special Fund of the Bank in accordance with Article 17.1 of the Bank’s Articles, as of May 7, 2020.

Section 1.2 Application of Rules and Regulations

The Fund and the resources thereof shall be governed by, and such resources shall be received, administered, used and disposed of in accordance with these Rules and Regulations, as may be amended from time to time pursuant to Section 6.1 of these Rules and Regulations.

Section 1.3 Administration of the Fund

The President may adopt such directive, consistent with these Rules and Regulations, as shall be considered necessary or appropriate for the efficient administration of the Fund.

ARTICLE II- RESOURCES OF THE FUND

Section 2.1 Types of Resources

The resources of the Fund shall consist of:

- (a) amounts transferred by the Bank from its Project Preparation Special Fund (PPSF);

- (b) amounts received by the Bank for inclusion in the Fund from any member of the Bank, any of its political or administrative sub-divisions, or any entity under the control of the member of such sub-divisions or any other country, entity or person approved by the President (Contributor);
- (c) income derived from investment of the resources of the Fund in accordance with Section 4.4 of these Rules and Regulations; and
- (d) funds reimbursed to the Fund, if any.

ARTICLE III – USE OF THE RESOURCES OF THE FUND

Section 3.1 Use of the Resources of the Fund

The resources of the Fund shall be used, on a grant basis, to buy down the interest (Interest Buy-Down) due under sovereign-backed loans (SBL) extended under the Facility to, or guaranteed by, eligible Bank Members (Eligible Members) for eligible projects (Eligible Projects) as specified in Section 3.2 of these Rules and Regulations. The grants from the Fund resources shall only be used in conjunction with such financings under the Facility.

Section 3.2 Eligibility Criteria

- (a) Member Eligibility. The following Bank Members, at the time when the decision to extend a Facility SBL is made by the Bank, are eligible for Fund resources: Members that are eligible to receive financing from the International Development Association (IDA) and determined as IDA-only.
- (b) Project Eligibility. SBLs extended under the Facility to Eligible Members, except for the policy-based Facility SBLs.

Section 3.3 Approval Authority

The approval authority applicable to the corresponding Facility SBLs shall apply for the approval of grants from the Fund resources.

ARTICLE IV – ADMINISTRATION OF THE RESOURCES OF THE FUND

Section 4.1 Principles

The establishment, administration and use of the resources of the Fund shall be the responsibility of the Bank.

Section 4.2 Separation of Fund Resources from Ordinary Resources

- (a) In accordance with Article 10.2 of the Bank's Articles, the resources of the Fund shall at all times and in all respects be held, used, committed, invested or otherwise disposed of entirely separately from the ordinary resources of the Bank.
- (b) In accordance with Article 10.3 of the Bank's Articles, under no circumstances shall the ordinary resources of the Bank be charged with, or used to discharge, losses or liabilities arising out of Fund's special operations or other activities for which resources of the Fund were originally used or committed.

Section 4.3 Pooling of Fund Resources

The resources of the Fund shall be managed as a single pool, irrespective of the date such resources are transferred to the Fund.

Section 4.4 Investment

The Bank may invest any resources of the Fund which are not immediately required for use under Article III of these Rules and Regulations in accordance with the Bank's usual treasury management practices applicable to Special Fund resources; such practice may include placing money in an interest bearing account without any active management by the Bank. Any income derived from such investments (including interest) shall be promptly credited to the resources of the Fund and to be used in accordance with these Rules and Regulations.

Section 4.5 Administrative and other Expenses

In accordance with Article 17.1 of the Bank's Articles which requires that the full cost of administering any Special Fund be charged to that Special Fund, the Bank shall charge an administration fee equal to 1% of amounts received to the Fund pursuant to Section 2.1 (b) of these Rules and Regulations, except for the amounts received to the Fund pursuant to Section 2.1 (a) of these Rules and Regulations.

Section 4.6 Valuation of Currencies

Whenever it shall be necessary to determine the value of any currency in terms of another currency or of the unit of account of the Bank, the valuation shall be reasonably made by the Bank, applying as far as practicable the principles applicable to valuation of currencies forming part of the ordinary resources of the Bank.

Section 4.7 Accounts and Audit

- (a) The Bank shall maintain accounts of the Fund in accordance with the Bank's accounting policies. The accounts of the Fund shall be prepared and presented in US Dollars.
- (b) Special operations financed from the resources of the Fund shall be presented in financial statements separately from the Bank's ordinary operations and special operations financed from other Special Funds or trust funds.
- (c) The accounts of the Fund shall be audited by internal and external auditors of the Bank in accordance with the same audit requirements as are applied to the accounts of the Bank's ordinary resources.

Section 4.8 Reports

- (a) The Bank shall report on the Fund as part of its Special Funds resources.
- (b) The Bank shall provide a report on the Fund at the termination of the Fund to the Contributors.

ARTICLE V – TERMINATION

Section 5.1 Termination of the Fund

- (a) The Fund shall terminate upon the payment of all grants approved in respect of SBLs extended under the Facility.

- (b) The Fund shall terminate automatically upon termination by the Bank of its operations pursuant to Article 41 of the Bank's Articles.

Section 5.2 Disposal of Resources on Termination of the Fund

Upon termination of the Fund, the following provisions shall apply with respect to the resources of the Fund:

- (a) The Bank shall forthwith cease all activities relating to such resources, except those incidental to the orderly realization, conservation and preservation of such resources and the settlement of the direct and contingent obligations to which they may be subject.
- (b) Subject to subsection (c) below, the Bank shall distribute the total net assets at the time of termination among the PPSF and the Contributors in proportion to the amounts made available by them to the Fund pursuant to Sections 2.1(a) and 2.1 (b) of these Rules and Regulations, respectively. Such distribution shall be effected at such times, in such currencies and in such types of assets as the Bank shall deem fair and equitable. Distribution needs not be uniform as to type of asset or as to currency.
- (c) No distribution shall be made until liabilities to creditors (including liabilities to the Bank in respect of administration fees) shall have been discharged or provided for. Any distribution to a Contributor (referred to in Section 2.1(b) of these Rules and Regulations) shall be subject to prior settlement of all outstanding claims by the Bank against such Contributor in respect of the amounts provided by it to the Fund.
- (d) Until final distribution of the total net assets, all rights and obligations of the Bank and of Contributors under these Rules and Regulations shall continue unimpaired.

Section 5.3 Disposal of Reimbursed Resources after Termination of the Fund

Reimbursement of any resources originally provided from the Fund shall be credited to the PPSF after the termination of the Fund.

ARTICLE VI – AMENDMENTS AND DISPUTE RESOLUTION

Section 6.1 Amendments

These Rules and Regulations may be amended, after consultation between the Bank and the Contributors, by a decision of the Board of Directors.

Section 6.2 Dispute Resolution

- (a) If a disagreement arises between the Bank and a Contributor, referred to under Section 2.1(b) of these Rules and Regulations, concerning any matter arising out of or in connection with the contribution agreement of that Contributor, and such dispute cannot be settled by consultation between the parties, such disagreement shall be settled by arbitration in accordance with the UNCITRAL Arbitration Rules (in force as at the date of these Rules and Regulations), subject to the following:
 - (i) The parties to such arbitration shall be the Bank on the one side and the Contributor on the other side.
 - (ii) The number of arbitrators shall be three (3).
 - (iii) The appointing authority for the purposes of the UNCITRAL Arbitration Rules shall be the Secretary-General of the Permanent Court of Arbitration.

- (iv) Where the Secretary-General of the Permanent Court of Arbitration is to appoint an arbitrator, the Secretary-General of the Permanent Court of Arbitration shall be at liberty to choose any person he regards as suitable to act as arbitrator pursuant to the UNCITRAL Arbitration Rules.
 - (v) Except as the parties to such arbitration shall otherwise agree, the place of arbitration shall be The Hague.
 - (vi) The language to be used in the arbitral proceedings shall be English.
 - (vii) The law to be applied by the arbitral tribunal shall be international law, the sources of which are taken for these purposes to include:
 - 1) the Bank's Articles and any relevant treaty obligations that are binding reciprocally on the parties;
 - 2) the provisions of any international conventions and treaties (whether or not binding directly as such on the parties) generally recognized as having codified or ripened into binding rules of customary law applicable to states and international financial institutions, as appropriate;
 - 3) other forms of international custom, including the practice of states and international financial institutions of such generality, consistency and duration as to create legal obligations; and
 - 4) applicable general principles of law.
 - (viii) Notwithstanding the provisions of the UNCITRAL Arbitration Rules, the arbitral tribunal shall not be authorized to take any interim measures of protection or provide any pre-award relief against the Bank, and none of the parties may address to any judicial authority a request for any interim measures of protection or pre-award relief against the Bank.
- (a) Notwithstanding the provisions of this Section, nothing contained in these Rules and Regulations or in any contribution agreement, shall operate or be regarded as a waiver, renunciation or other modification of any immunities, privileges or exemptions of the Bank under its Articles, under international conventions or under any applicable laws.
 - (b) In any arbitral proceeding arising out of any contribution agreement the certificate of the Bank as to any amount due to the Bank under such agreement shall be prima facie evidence of such amount.