

Financial Regulations

*(As Adopted by the Board of Directors on June 22, 1988,
and as amended on January 8, 2003 and June 4, 2004)*



Financial Regulations of the Multilateral Investment Guarantee Agency

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Financial Regulations of the Multilateral Investment Guarantee Agency

Pursuant to Section 16 of the By-Laws of the Agency, the Board of Directors hereby adopts the following Financial Regulations of the Agency:

Section 1. Definitions

For the purposes of these Regulations,

- (a) “**Board**” means the Board of Directors of the Agency;
- (b) “**Bank**” means the International Bank of Reconstruction and Development;
- (c) “**Chairman**” means the President of the Bank acting as Chairman of the Board; and
- (d) “**President**” means the President of the Agency.

Section 2. Applicability

(a) These Regulations shall govern the financial administration of the Agency, which shall be carried out in accordance with sound business and prudent financial management practices with a view to maintaining under all circumstances the Agency’s ability to meet its financial obligations.

(b) The management of the Agency’s operations, including the determination of premiums and the administration of claims, is governed by the Operational Regulations of the Agency.

Section 3. Fiscal Year

The fiscal year of the Agency shall run from July 1 of each year to June 30 of the following year; provided, however, that the first fiscal year of the Agency shall run from April 12, 1988 to June 30, 1989.

Section 4. The Administrative Budget

(a) Before the end of each fiscal year, the President shall prepare and submit, for approval by the Board, an administrative budget for the following fiscal year. This budget is to indicate the expected revenues and administrative expenditures of the Agency.

(b) If, during the course of a fiscal year, the President determines that the expected administrative expenditures will exceed those authorized in the budget, or if he should wish to incur administrative expenditures not previously authorized, he shall, in consultation with the Chairman, prepare a supplementary budget or budgets which he shall submit to the Board for approval.

(c) The approval of a budget constitutes authority for the President to make expenditures and incur obligations for the purposes and within the limits specified in the budget. Subject to priorities and limitations established by the Board, the President may exceed the amount specified for any given budget item, provided (i) that he notifies the Board of any such action; and (ii) that the total amount of the budget is not exceeded.

(d) If the budget is not approved by the Board by the beginning of the fiscal year to which it relates, the President may incur expenditures for the purposes and within the limits specified in the budget he submitted to the Board, up to one quarter of the amount authorized to be expended in the previous fiscal year.

(e) The administrative budget as approved by the Board shall be included in the Agency's annual report.

Section 5. Investment of Funds

(a) The funds of the Agency shall be invested pursuant to a separate investment authorization approved by the Board. Such authorization shall be further supplemented by investment guidelines issued by the President or any other officer authorized by the President, which will specify the portfolio objectives, benchmark, portfolio composition and such other operational principles for the investment of funds, as may be required.

(b) The President shall prepare and submit to the Board periodic reports on the investment activities of the Agency.¹

Section 6. Internal Control

(a) The President, who shall be responsible for the execution of the administrative budget of the Agency and the administration of its assets, shall:

- (i) designate the officers who may incur obligations and make payments on his behalf; and
- (ii) maintain an internal financial control and internal audit which shall provide for an effective current examination and/or review of financial transactions in order to ensure the regularity of the receipts, custody and disposal of all funds and other financial resources of the Agency; the conformity of obligations and expenditures with the budget and these Regulations; and the economical use of the resources of the Agency.

(b) The President may establish detailed financial rules and procedures in order to ensure effective financial administration and the exercise of economy.

¹ Section 5 was amended on June 4, 2004.

Section 7. Accounts and Statements

(a) The President shall maintain such accounting records as are necessary and shall prepare annual financial statements of the accounts of the Agency and of the Sponsorship Trust Fund, showing for the fiscal year to which they relate the income and expenditure of such accounts. The President shall also include in the financial statements such other information as may be appropriate to indicate the financial position of the Agency at the close of the fiscal year, including information on pending but unpaid claims and recoveries.

(b) The President shall prepare and submit to the Board of Directors, on an annual basis, audited financial statements. Such statements shall then be submitted to the Council of Governors for consideration at their annual meeting. In addition, the President shall prepare and submit to the Board unaudited financial statements for the other three quarters.²

Section 8. External Audit

The Board shall have an audit of the annual financial statements made in conformity with generally accepted auditing standards by independent auditors appointed by the Board. The financial statements as audited shall be included in the Agency's annual report.

Section 9. Amendments

These Regulations may be amended by the Board of Directors at any meeting thereof or by vote without a meeting as provided in Section 5 of the Rules of Procedure for Meetings of the Board of Directors.

Adopted by the Board of Directors on June 22, 1988

² Section 7(b) was amended on January 8, 2003.