



IDA Directive

Conversion of Currency of IDA's Concessional Partner Loans

Bank Access to Information Policy Designation

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Content

IDA's Nineteenth Replenishment of resources established that Concessional Partner Loans (CPL) would be denominated in any one of the SDR basket currencies. The CPL framework allows Partners to convert such loan to a non-SDR currency (South African Rand, Australian Dollar, and Canadian Dollar). The Directive set forth the implementation details for effecting such currency conversions under the IDA19 CPL framework.

Applicable to

IDA

Issuer

Vice President, DFIVP

Sponsor

Vice President and Treasurer, TREVP

SECTION I – PURPOSE AND APPLICATION

1. This Directive set outs the process for requesting, accepting and effecting conversions of the currency of IDA's Concessional Partner Loans, and constitutes the "IDA CPL Conversion Guidelines".
2. This Directive applies to IDA and governs all Currency Conversion requested by the Donors pursuant to the provisions of their CPL Agreements after the date of effectiveness, and does not affect any Currency Conversions effected, or requested but not yet effected, prior to the date of effectiveness hereof; provided, if any provision of this Directive is inconsistent with a provision of the relevant CPL Agreement with respect to a particular Currency Conversion, the provision of the relevant CPL Agreement governs.

SECTION II – DEFINITIONS

1. As used in this Directive, capitalized terms and abbreviations have the meanings set out below:
 - a. **Approved Currency:** for a Currency Conversion, the Loan Currency, the Australian dollar (AUD), the Canadian dollar (CAD), and the South African rand (ZAR), or any other non-SDR currency as defined and approved from time to time in each IDA replenishment resolution.
 - b. **Board:** IDA's Board of Executive Directors.
 - c. **Donor:** the contributing IDA member country which provides a CPL to IDA.
 - d. **Business Day:** any day (other than a Saturday or Sunday) when (i) banks are generally open for business both in New York, N.Y. and such jurisdiction as stated in the relevant CPL Agreement and (ii) IDA's headquarters are generally open for business.
 - e. **Concessional Partner Loans (CPLs):** IDA Donor loans providing long-term funding to IDA at concessional interest rates.
 - f. **CPL Agreement:** the loan agreements governing CPLs.
 - g. **CPL Interest Period:** each Interest Period, as defined and specified in the CPL Agreement.
 - h. **CPL Payment Date:** each Payment Date, as defined and specified in the CPL Agreement.
 - i. **Conversion Date:** for a Currency Conversion, such date as IDA determines pursuant to Section III.D.8 below, on which the Currency Conversion enters into effect and the related Conversion Period starts.
 - j. **Conversion Period:** for a Currency Conversion, the period from and including the Conversion Date to and including the last day of the CPL Interest Period in which the Currency Conversion terminates by its terms; provided that solely for the purpose of enabling the final payment of CPL interest and principal under a Currency Conversion to

be made in the Approved Currency, such period ends on the CPL Payment Date immediately following the last day of the final applicable CPL Interest Period.

- k. **Currency Conversion:** a change of the Loan Currency of all or any amount of the unwithdrawn or withdrawn CPL balance to an Approved Currency.
- l. **Counterparty:** a party, acceptable to IDA, with whom IDA enters into a Market Transaction for purposes of executing a Currency Conversion.
- m. **Execution Date:** for a Currency Conversion, the date on which IDA has undertaken all actions necessary to effect the Currency Conversion, as reasonably determined by IDA.
- n. **Execution Period:** a period of fifteen (15) Business Days commencing from the date of acceptance by IDA of the Request or such other period as agreed between IDA and the Donor.
- o. **IDA:** the International Development Association.
- p. **IDA19 Replenishment Resolution:** the resolution 244 of IDA's Board of Governors as amended from time to time by which it accepts IDA's Deputies Report, as approved by the Board, and authorizes the agreed replenishment arrangements, the general increase in subscriptions and the corresponding allocation of voting rights.
- q. **Loan Currency:** any of the U.S. dollar, the Euro, the Chinese renminbi, the Japanese yen, and the British pound sterling (the currencies of the SDR basket), in which CPLs are denominated at loan signing.
- r. **Market Transaction:** one or more currency hedge transactions entered into by IDA with a Counterparty on terms acceptable to IDA as of the Execution Date for purposes of executing a Currency Conversion.
- s. **Request:** a request for a Currency Conversion made by the Donor pursuant to the provisions of the CPL Agreement and in accordance with the provisions of this Directive and includes, where the context so permits or requires, a withdrawal or cancellation of a Request.
- t. **Staff:** persons holding an appointment under Staff Rule 4.01, "Appointment".

SECTION III – SCOPE

A. Objectives and Authority

1. The objective of this Directive is (a) to ensure that IDA receives and repays the CPL amounts in the same currency and coupon rate as pledged by the Donor and approved by the IDA19 Replenishment Resolution, and on such terms and conditions as approved from time to time on each IDA replenishment, and (b) to provide the Donor with the flexibility to disburse the CPL amounts and receive CPL repayments in an Approved Currency.
2. This Directive derives its authority from the CPL framework approved by the IDA19 Replenishment Resolution.

B. General Provisions

1. The Donor has a right to request IDA to effect a Currency Conversion at any time. IDA accepts and effects such conversion in accordance with the terms of this Directive and subject to market conditions and availability of the Market Transactions and Counterparties, and such additional terms and conditions agreed between IDA and the Donor. IDA may reject a Request for any reason, in its absolute discretion.
2. Unless IDA otherwise agrees, the minimum principal amount of the CPL in respect of which the Donor requests a Currency Conversion in a single Request is USD 3,000,000 equivalent. This minimum threshold does not apply to Requests with respect to the final disbursed amount under the CPL.
3. IDA reserves the right to terminate a Currency Conversion at any time prior to the end of the applicable Conversion Period in the following cases (in which case the provisions of Section III.G below apply):
 - (a) if IDA decides to prepay the CPL, as specified in the CPL Agreement;
 - (b) if (i) the underlying Market Transaction(s) undertaken by IDA in connection with the said Currency Conversion is/are terminated as a result of it becoming impractical, impossible or unlawful for IDA or its Counterparty to make, or receive, a payment on the terms agreed in such Market Transaction due to: (x) the adoption of, or any change in, any applicable law after the date on which such Currency Conversion is executed, or (y) the interpretation by any court, tribunal or regulatory authority with competent jurisdiction of any applicable law after such date or any change in any such interpretation, and (ii) IDA is unable to find a replacement Market Transaction on terms acceptable to IDA;
 - (c) in the event of the Donor's failure to effect a disbursement or effect any other payment under the CPL Agreement or hereunder for reasons other than stated in Section III.B.3(d) below; and
 - (d) in the event of the Donor's failure to effect a disbursement or demand for payment due to IDA's default under the CPL Agreement in advance of CPL maturity and/or the Donor's demand to IDA to pay any amount in advance of its maturity, as specified in the CPL Agreement.

4. IDA establishes the transaction fees in respect of the Conversions and early terminations of the Conversions, as set forth in this Directive. IDA revises its transaction fees from time to time and such revised transaction fees apply to any Conversion requested after the effectiveness date of any such revision. (See Section XI: Related Previous Documents Section where the Donors may refer to the IDA's website at <http://ida.worldbank.org/> for a copy of this Directive and the current transaction fees.)

C. Conversions

1. IDA offers the following two types of the Currency Conversions:

(a) Currency Conversion to an Approved Currency of any amount of the unwithdrawn CPL balance, provided that in the event of a partial Currency Conversion, such option applies only to the full amount of each disbursement tranche stated in the CPL Agreement; and

(b) Currency Conversion to an Approved Currency of the entire withdrawn CPL balance.

2. IDA converts the fixed interest rate¹ of the CPL denominated in its original Loan Currency to a fixed rate in an Approved Currency, with the interest rate level reflecting the rates IDA achieved under the Market Transaction. In case the fixed coupon rate in the Approved Currency is negative under the market conditions at the time of execution, IDA enters into a Market Transaction with a floor of zero on the interest rate applicable to the Currency Conversion, in which case the provisions of Section III.G.5 apply.

3. For Currency Conversion of any unwithdrawn CPL balance, IDA enters into a Market Transaction based on the agreed disbursement and repayment schedules of the CPL Agreement. For Currency Conversion of the withdrawn CPL balances, IDA enters into the Market Transaction based on the agreed repayment schedule of the CPL Agreement.

4. The terms of the relevant Market Transactions reflect: (i) the relevant Conversion Period; (ii) the spot or forward exchange rate between the original Loan Currency and the Approved Currency into which the CPL amount is to be converted, for value on the Conversion Date; (iii) the interest rates prevailing in the original Loan Currency and the Approved Currency into which the CPL amount is to be converted on the Execution Date; (iv) the terms matching the repayment provisions of the CPL relating to the converted CPL amount.

5. If IDA is unable to find a suitable Market Transaction on terms acceptable to IDA, matching the amount of the CPL requested to be converted by the Donor, IDA effects several Market Transactions. In such event, IDA determines the consolidated rate or premium applicable to the total CPL amount subject to the Currency Conversion, on the basis of the weighted average of the rate or the pro-rata of the total amount of the premia obtained in all Market Transactions undertaken to effect such Currency Conversion.

¹ Exclude any applicable discount amortization under the CPL Agreement.

6. IDA enters into a Market Transaction based on the existing interest rate applicable to the CPL amount being converted and the interest rates then prevailing in the market. Based on the terms of the Currency Conversion (and the underlying Market Transaction), the new rate of interest under the CPL is adjusted to reflect the difference between the interest rate applicable prior to the Currency Conversion and the interest rates then prevailing in the market. On a case by case basis, IDA takes into account any payment from the Donor to IDA of a mark-to-market amount that reflects the market value of the interest rate change, as set forth in Section III.G below.
7. In case of early terminations listed in Section III.B.3 above, IDA retains the right to unwind the applicable Currency Conversion completely or effect an overlay new Market Transaction. For avoidance of doubt, in each case, the applicable mark-to-market amount reflecting the gains or losses of the relevant Currency Conversion represents the unwinding cost of such early termination, the payment of which is described in Section III.G below.

D. Request for Conversion

1. The Donor submits a Request to IDA at any time, substantially in the form of the appropriate Conversion Request Form provided in Annex A. In the form of Request, the Donor makes the following representations:
 - (a) It has made its own independent decision to request such Currency Conversion and is not relying on any communication or confirmation from IDA as a recommendation to request such Currency Conversion;
 - (b) IDA is not acting as a fiduciary for, or an advisor to, the Donor in respect of such Currency Conversion;
 - (c) it understands and accepts the terms, conditions and risks of such Currency Conversion and it expressly assumes the financial risks of such Currency Conversion;
 - (d) it undertakes such Currency Conversion in order to facilitate prudent risk management and not for speculative purposes; and
 - (e) the representative signing the Request is authorized to do so.
2. The Donor makes the Requests in writing and delivers them to IDA by hand, courier, mail (registered or certified) or electronic mail. In its discretion, the Donor confirms by mail any deliveries made by electronic mail. IDA is entitled to take action on the basis of a Request received by electronic mail.
3. The Donor delivers each Request to IDA at the physical address or email address specified in the CPL Agreement. The date of receipt by IDA of a Request is:
 - (a) the date it is delivered to IDA at the physical address, if sent by courier, by hand, or by certified or registered mail; and
 - (b) the date received in legible form by IDA at the email address, if sent by email,

provided, however, that any communication which is received outside business hours or on a non-Business Day in the place of receipt is deemed received at the opening of business on the next following Business Day in such place.

4. The authorized representative of the Donor, for purposes of making Requests, is the official designated in the CPL Agreement. The Donor's address for the purposes of this Directive is the address specified in the CPL Agreement. If the authorized representative of the Donor delegates the authority to make Requests to additional persons, before or at the time the Donor makes a Request, the Donor delivers to IDA evidence of such delegation and the specimen signature of such authorized person, together with his/her title and address, including telephone and fax numbers and e-mail address, as specified in the CPL Agreement.
5. Each Request provides the following information (refer to Annex A for the Request form):
 - (a) the CPL, identified by Donor country, replenishment number, CPL signing and final maturity dates, CPL original currency, CPL tranche number (if applicable), next CPL interest Payment Date, and the CPL amount to be converted;
 - (b) the Approved Currency into which the Donor wishes to convert the relevant CPL amount;
 - (c) the proposed Conversion Date;
 - (d) special instructions, if any, including any minimum fixed rate the Donor is willing to receive under the Currency Conversion; and
 - (e) authorization and specimen signature of authorized representative signing the Request, if not previously provided.
6. If, following the implementation of a Currency Conversion in respect of any amounts of the CPL, the Donor submits a new Request for another Currency Conversion, IDA typically effects such Request in addition to the existing Currency Conversion (for the avoidance of doubt, without the need to amend the prior Conversion Requests or CPL Agreements, as applicable).
7. The Conversion Date is any one of the following, subject at all times to the relevant CPL:
 - (a) the Execution Date, in case of the Currency Conversion of the CPL unwithdrawn loan balance;
 - (b) the CPL Payment Date, as specified in the CPL Agreement, in case of a Currency Conversion of the CPL withdrawn balance, provided that for a Request received by IDA within fifteen (15) Business Days prior to a CPL Payment Date, the next following CPL Payment Date or such other date as agreed by the Donor and IDA; or
 - (c) Any other date as agreed by the Donor and IDA.

E. Execution

1. IDA exercises reasonable efforts to execute within the Execution Period any Request which is in form and substance satisfactory to IDA. However, IDA is not liable if, in the exercise of

such reasonable efforts, it fails to do so. IDA and the Donor can agree to extend the Execution Period for any Currency Conversion.

2. Since interest and exchange rates fluctuate throughout the Execution Period, and the range of rates becomes known only after the end of the Execution Period, IDA does not guarantee any specific results in obtaining financial terms of a Currency Conversion. However, in effecting a Currency Conversion, IDA exercises the same standard of care as it uses with respect to transactions it enters into for its own account.
3. If, during the Execution Period, any national or international calamity or development, crisis of a political or economic nature or change in the relevant financial markets occurs, the effect of which, in the judgment of IDA, materially and adversely affects its ability to execute such Currency Conversion, IDA notifies the Donor of such circumstances, and IDA and the Donor together determine the appropriate arrangements.
4. The Donor and IDA each consent to the recording of telephone conversations concerning Currency Conversions.
5. Promptly after receipt of any Request, IDA notifies the Donor of its receipt of the Request at the address or e-mail specified by the Donor in the CPL Agreement. Acknowledgement of receipt does not constitute acceptance of the Request.
6. Upon receipt of a Request, IDA reviews it to determine whether the information presented in the Request is accurate and acceptable to IDA and whether it is duly authorized by the Donor. If IDA finds the Request acceptable following its review, it proceeds to effect the Currency Conversion without a separate notification to the Donor of its acceptance. In such case, IDA effects the Currency Conversions in accordance with the provisions of Section III.C above.
7. If IDA determines that a Request does not comply with the requirements specified in the CPL Agreement and this Directive, or is not acceptable to IDA otherwise, it so notifies the Donor promptly after such determination. In that case, IDA takes no further action to effect the Currency Conversion. If the Donor re-submits its Request taking into account IDA's comments, IDA treats such Request as a new Request for the purposes of calculating the Execution Period.
8. If any follow-up discussions are necessary during the Execution Period for a Currency Conversion, the Donor and IDA communicate by telephone or e-mail using the contact information provided by the parties in the CPL Agreement or pursuant to Section III.D.4 above. So long as the terms of the Request do not change, IDA relies on the identity of anyone communicating with IDA by telephone and purporting to be an authorized representative of the Donor. If the Donor proposes any changes in the terms of the Request by telephone or e-mail, IDA treats the Request as a non-complying Request and so notifies the Donor. IDA does not take any action in respect of such Request until the Donor furnishes an amended Request. IDA treats such amended Request as a new Request for purposes of calculating the Execution Period.
9. At any time during the Execution Period, if the Donor wishes to withdraw a Request, it notifies IDA in writing, furnished by e-mail to IDA from the authorized representative or his/her designated representatives to be followed by a signed withdrawal notice. If IDA receives the notice of withdrawal after it undertakes the related Market Transaction, IDA does not accept such request for withdrawal.

10. IDA notifies the Donor promptly following the end of the Execution Period of the terms of the Currency Conversion (as described in Section III.E.11 below), or of the fact that the Currency Conversion is not effected. IDA sends all such notices to the Donor at the address for notices specified in the CPL Agreement or, if different, any address specified by the Donor pursuant to Section III.D.4 above. If IDA is unable to effect the Currency Conversion requested during the Execution Period, IDA and the Donor determine next actions, if any.
11. Within ten (10) Business Days following the Execution Date of any Currency Conversion, IDA sends to the Donor a Currency Conversion notice to the Donor and setting out the terms obtained in the Currency Conversion, including:
 - (a) the details of the Currency Conversion (including the Conversion Date);
 - (b) the new interest rate; and
 - (c) the exchange rate used in effecting the Currency Conversion.
12. Along with the Currency Conversion notice described in Section III.E.11 above, IDA provides the revised disbursement and/or repayment schedules of the CPL Agreement, as applicable, with thirty (30) days' notice to the Donor to confirm or object. Until (i) IDA's receipt from the Donor of a confirmation of such revised disbursement and/or repayment schedules of the CPL Agreement, as applicable, or (ii) in case of any objection thereto communicated by the Donor within the above-stated notice period and the resolution of the discrepancies between IDA and the Donor, IDA relies on the disbursement and repayment schedules communicated by IDA to the Donor based on the terms of the relevant Currency Conversion to effect payments to the Donor under the CPL Agreement for the interest and principal payments occurring from the beginning of the Conversion Period up to the time of the Donor's and IDA's final agreement on such revised disbursement and/or repayment schedules.

F. General Payment Provisions during Conversion Period

1. The Conversion Period commences on the Conversion Date and terminates on the last CPL Payment Date specified in the relevant CPL Agreement, subject to Section III.F.2 below. As interest accrues in arrears, IDA pays any interest payable up to a Conversion Date at the rate and in the currency applicable immediately prior to the Currency Conversion. Any principal amount payable either:
 - (a) on a Conversion Date (where a Conversion Date coincides with a CPL Payment Date),
or
 - (b) on a CPL Payment Date falling within a period of less than fifteen (15) Business Days from the date of submission of a Conversion Request,does not form part of the CPL amount converted and, IDA pays such principal amount in the currency in which it was payable immediately prior to such Currency Conversion, unless otherwise agreed by the Donor and IDA.
2. IDA deems the Conversion Period extended (solely for the purpose of making payments of principal and interest under the CPL) by one day to include the CPL Payment Date immediately following the final CPL Interest Period in the Conversion Period. Thus, on such CPL Payment Date, IDA pays (i) principal and interest in the Approved Currency applicable

during the Conversion Period, and (ii) interest at the interest rate basis applicable during the Conversion Period.

3. IDA rounds all currency amounts to the nearest hundredth of the currency unit on U.S. dollar, Euro, and British pound sterling and to the nearest whole currency unit on Japanese yen (e.g. 1.01 U.S. dollar and 1 Japanese yen). For other currencies, IDA determines the rounding on a case-by-case basis. IDA rounds interest rates to two decimal places. In each case, IDA rounds upwards if the number ends in a figure of five or above, and downwards if the number ends in a figure below five.

G. Transaction Fees; Unwinding Cost and Other Costs

1. The Donor pays to IDA transaction fees in respect of any Currency Conversion of the CPL as determined by IDA pursuant to Section III.B.4 above, deducted from the applicable interest rate in the original Loan Currency, before it is converted into an Approved Currency through the Currency Conversion. IDA does not charge transaction fees in connection with early termination of a Currency Conversion, except for an early termination of a Currency Conversion described in Section III.B.3(c) above, in which case the Donor pays to IDA an additional transaction fee as part of the overall unwinding cost, as determined by IDA pursuant to Section III.B.4 above.
2. Upon early termination of an existing Currency Conversion pursuant to the terms Section III.B.3 above, the following provisions apply:
 - (a) The unwinding costs, if any, of an early termination of a Currency Conversion represent the gains or losses for the prior Currency Conversion (see Section III.C.6) above, which (i) the Donor pays to IDA or (ii) IDA pays to the Donor, except as provided in Section III.G.2(b) below.
 - (b) In case of an early termination described in Sections III.B.3(a) and (d) above, IDA bears any gains or losses associated with such early termination. Accordingly, no unwinding cost is due from or to the Donor in connection with such early termination.
 - (c) In the event of an early termination described in Section III.B.3(c) above, the unwinding cost includes the additional transaction fee set forth in Section III.G.1 above.
 - (d) If, as a result of an early termination, any unwinding cost is due from the Donor to IDA, the Donor pays such costs as a lump-sum no later than thirty (30) days after receipt of IDA's invoice, subject to Section III.G.6 below.
 - (e) If, as a result of an early termination, any unwinding cost is due from IDA to the Donor, IDA pays any such amount to the Donor no later than thirty (30) days after the effective date of early termination or at the next CPL Payment Date, whichever is later.
3. In the event the Donor fails to effect a disbursement on the applicable disbursement date under the CPL Agreement described in Section III.B.3(c) above and, instead of an early termination, IDA elects to maintain the applicable Currency Conversion and uses its own resources to cover the settlement thereof, IDA may incur costs or losses as a result of market movement with respect to the Market Transaction or imposed by the counterparty in the Market Transaction. In such case, the Donor pays to IDA such incremental costs or losses no later than thirty (30) days after receipt of IDA's invoice, subject to Section III.G.6 below.

4. In the event the Donor fails to effect a disbursement on the applicable disbursement date under the CPL Agreement described in Section III.B.3(d) above and, instead of an early termination, IDA elects to maintain the applicable Currency Conversion, IDA uses its own resources to cover the settlement thereof as well as any incremental costs or losses resulting therefrom.
5. In case of a negative interest in a Currency Conversion described in Section III.C.2 above, the Donor pays to IDA any applicable premium under the Market Transaction, required to implement such Currency Conversion, no later than thirty (30) days after the Conversion Date, subject to Section III.G.6 below.
6. Notwithstanding the payment provisions set forth herein for purposes of the Donor's payment to IDA, IDA retains the right to offset any such amount due from the Donor against any upcoming payment from IDA to the Donor under the CPL Agreement, as such amounts become due and payable. If the aggregate amount payable by the Donor exceeds any such upcoming IDA payment amount, the excess is carried over to the next payment(s) from IDA to the Donor under the CPL Agreement, until the aggregate amount due from the Donor is fully offset by such upcoming payments from IDA to the Donor.
7. For purposes of currency risk management of (a) the Donor's payment obligations to IDA within the periods stipulated in this Directive, or (b) IDA's payment obligations to Donor, IDA uses options available under its currency risk management framework, as needed. In case IDA is unable to cover its currency risk resulting from:
 - (x) such Donor's payment obligations, IDA has a right to request the Donor to effect such payment in the currency of IDA's choice to eliminate any applicable currency risk; and
 - (y) such IDA's payment obligations to Donor, IDA and Donor agree on the currency acceptable to both parties to eliminate or mitigate any applicable currency risk.

SECTION IV – EXCEPTION

None.

SECTION V – WAIVER

Any provision of this Directive may be waived by the Issuer except those derived from the applicable policies.

SECTION VI – OTHER PROVISIONS

None.

Section VII – TEMPORARY PROVISIONS

None.

SECTION VIII –EFFECTIVE DATE

This Directive is effective as of the date on the cover.

SECTION IX – ISSUER

The Issuer of this Directive is Vice President-Development Finance.

SECTION X – SPONSOR

The Sponsor of this Directive is Vice President – Treasury.

SECTION XI – RELATED PREVIOUS DOCUMENTS

Additions to IDA Resources: Nineteenth Replenishment, Ten Years to 2030: Growth, People, Resilience, February 11, 2020.

IDA Directive/Procedure “Guidelines for Currency Risk Management for International Development Association”, Catalogue No. TRE7.03-DIR.102, effective as of July 1, 2020.

IDA Website: <http://ida.worldbank.org/>

Questions regarding this Directive should be addressed to the Sponsor.

ANNEXES

Annex A – Currency Conversion Request Form