Major Terms and Conditions of the IBRD Currency Pool Loan (CPL)[i]

Lending Rate	The interest rate on VLR89 loans passes through to borrowers IBRD's average cost of outstanding funding allocated for these loans, plus a lending spread. The rate is based on the semester average cost of outstanding IBRD debt issued since 1982, excluding debt allocated to fund IBRD's liquidity portfolio or other loan products offered after 1989. This cost basis for IBRD's borrowings in each of the currencies in the pool is recalculated every six months for the semesters ending June 30 and December 31. The currency-specific average costs are then weighted by the U.S. dollar equivalent share of each currency in the currency pool. IBRD's contractual lending rate for VLR89 loans for which the invitation to negotiate was issued on or after July 31, 1998, is determined by adding a spread of 0.75 percent to this weighted average semester cost. For VLR89 loans for which the invitation was issued before July 31, 1998, IBRD's lending rate is determined by adding a spread of 0.50 percent. The lending rate for VLR89 loans is reset every six months and applies to six-month interest periods beginning on or after January 1 and July 1. Interest accrues on an actual/365-366 day basis on daily principal volumes disbursed and outstanding. It continues to accrue on any overdue principal, but IBRD does not charge interest on overdue interest on its loans. From May 2, 2006 through June 30, 2009, IBRD offered borrowers the option to convert the interest rate of their VLR89 loans to either currency weighted Libor[1] plus 1% or currency weighted fixed rate.
Commitment Charge	The contractual commitment charge for a CPL is 0.75 percent annually on the undisbursed amount of the loan. Commitment charges begin accruing 60 days after the Loan Agreement is signed. However, the Bank does not charge commitment charges for loans that do not become effective.
Front-end Fee	For all loan commitments IBRD charges a front-end fee of 1% of the amount of the loan, payable on loan effectiveness. At the option of the borrower, the front-end fee can be paid out of the loan proceeds. When the borrower does not finance the front-end fee, the borrower must pay the fee no later than 60 days after the effectiveness date, but before the first withdrawal from the loan. If the loan is cancelled, adjustments to the front-end fee are handled as follows: a) If the loan is cancelled in full before effectiveness, no front-end fee is charged. b) If part of the loan is cancelled before effectiveness, the amount of front-end fee payable is reduced on a pro rata basis and the adjusted front-end fee is payable to the Bank upon effectiveness. c) If the loan is partially or fully cancelled on or after effectiveness, no adjustment to the front-end fee is made. This applies equally to loans disbursed in tranches: if a tranche is cancelled after effectiveness, no portion of the front-end fee is refunded to the borrower.
Waivers	In conjunction with the annual review of IBRD's net income, the Board may waive (a) part of the interest charges on its loans in the coming year for all eligible borrowers, and (b) a portion of the commitment charge to be collected in the coming year for all borrowers. To be eligible for the interest rate waiver, a borrower must have serviced all of its IBRD loans and have paid all amounts under IBRD guarantees and hedging products during the preceding six-month period within 30 calendar days of their due dates. The interest rate and commitment charge waivers apply to all loan products offered by IBRD for standard lending operations. At the beginning of each fiscal year, IBRD notifies each borrower of the interest rate waiver and commitment charge waiver applicable for that fiscal year.

[1] During the transition out of LIBOR, IBRD follows the principle of equivalence in respect of deriving the interest rate from the relevant reference rate.

Updated 6.30.2023 for LIBOR transition

Maturity Limits and Repayment Schedules	*Standard Repayment Terms*. The amortization, grace period, and final maturity of the loan are set at the time of IBRD approval of the loan. Grace periods and final maturities are expressed in periods of six or 12 months, with the first and final principal repayment dates identified as follows: (a) The first principal repayment date generally occurs six months after the expiration of the grace period. (b) The final principal repayment date is calculated as the first interest payment date plus the number of years to final maturity, less six months. *Flexibility in Setting Terms*. If justified by the Region on the grounds of project or country needs, the standard terms may be modified as follows: (a) For countries in all income categories, the grace period may be extended if the final maturity of the loan is shortened from the standard terms to compensate for any such extension (at the rate of one year of final maturity for every six months of grace). (b) For countries in income categories I and II, the grace period and final maturity of a loan may be modified as long as the loan's average life remains within the standard set for borrowers in that category. (c) For countries in all income categories, the grace periods and final maturities on particular loans may be extended, provided that compensating reductions are made in the grace periods and final maturities of other loans made to or guaranteed by the country in the same fiscal year. The weighted average grace period and final maturity for all loans committed to a country in the same fiscal year must remain within the country limit. *Amendment of Approved Terms.* Borrowers must choose the repayment terms before IBRD approval; repayment terms cannot be changed once IBRD has approved the loan. Also, IBRD normally does not reschedule interest or principal payments on its loans or participate in debt rescheduling agreements with respect to its loans. However, IBRD may amend existing repayment terms under extraordinary country or project circumstances or when the principal disbursed and outstanding is less than the scheduled principal repayment.

Loan Currencies	VLR89 CPLs are multicurrency loan obligations expressed in U.S. dollar equivalent terms. The currency composition of borrowers' currency pool loan obligations reflects that of the currency pool and is the same for all borrowers. At least 90 percent of the U.S. dollar equivalent value of the currency pool is maintained in a target currency ratio of one U.S. dollar: 125 Japanese yen: one euro. Before the introduction of the euro on January 1, 1999, the currency pool was maintained in a target currency ratio of one U.S. dollar: 125 Japanese yen: two Deutsche mark group currencies (Deutsche mark group consisted of Deutsche marks, Swiss francs, and Netherlands guilders).
Conversion Options	Not available
Prepayment	Assessment of the prepayment premium waiver is based on the following procedure: (a) The latest available carrying values and estimated values for loans in various categories, as reported semiannually in IBRD's audited financial statements, are the basis for assessing whether a waiver of the contractual prepayment premium can be granted. (b) The prepayment premium on the loan is waived in its entirety if the estimated value of all loans in a particular category is less than or equal to the carrying value. However, the premium is applied if the estimated value is greater than the carrying value—with the added proviso that it will be the smaller of the computed contractual premium on the loan and the premium over the carrying value as determined by the estimated value. If interest rates were to rise, the "off-marketness" of the lending rates would be narrowed, and the contractual prepayment premium on these loans could be higher than the premium of the estimated value over the carrying value. In that case, the borrower would pay the latter as the premium, thus receiving a partial prepayment premium waiver. (c) For financial intermediary loans with flexible amortization schedules, IBRD waives the premium if the financial intermediaries make the prepayments after receiving the prepayments from the sub-borrowers. Prepayment premium schedules are included in the Loan Agreements for those loans. Premia are calculated in accordance with these schedules as illustrated below. For each of the maturities being prepaid, the premium rate is calculated by multiplying the current interest rate on the loan with the appropriate factor from the "Premiums on Prepayment" schedule in the Loan Agreement. The premium rate so computed is then applied to the appropriate maturity to arrive at the prepayment premium for that maturity. Premia computed for all maturities being prepaid are added together to arrive at the prepayment premium for the loan. As an illustration, assume a Category III country prepays any variable-rate pool loan with four remaining maturities. Each maturity is $1 million and the total prepayment is US$4 million. Assume further that the current interest rate on the loan is 6.5 percent and the factor from the "Premiums on Prepayment" schedule in the Loan Agreement is 0.18. The premium rate for the maturities being prepaid is (.065*.18), which is .0117, or 1.17 percent. Multiplying $4 million by the premium rate of 1.17 percent, produces the total premium of $46,800 for the loan. For VLR89 loans whose interest rates were converted to either currency weighted Libor[1] plus 1% or to currency weighted fixed rate, the prepayment premium shall be an amount reasonably determined by the Bank to represent any cost to it of redeploying the amount to be prepaid at the London Interbank Offered Rate (LIBOR[1]) for six-month deposits in United States Dollars from the date of its prepayment to its maturity date.

Variable Lending Rate 1989 (VLR89)

[i] This product was withdrawn in 2001. The above is not necessarily a complete treatment of the terms and conditions of these loans. Borrowers should refer to their loan agreements and General Conditions with respect to their individual loans.