

# TERMS, CONDITIONS AND PROCEDURES FOR THE ADMISSION OF NEW MEMBERS TO THE NEW DEVELOPMENT BANK

## CHAPTER I - PURPOSE AND MEMBERSHIP

### Paragraph 1

#### Purpose

The purpose of this document is to establish the terms, conditions and procedures, including the principles and mechanisms for new members to be admitted to the New Development Bank, hereinafter referred to as “the Bank”, subject to the Agreement on the New Development Bank and the provisions of the Articles of Agreement of the New Development Bank, hereinafter referred to as “the Articles of Agreement”<sup>1</sup>.

### Paragraph 2

#### Membership provisions in the Articles of Agreement

The membership provisions in the Articles of Agreement are the following:

- a) Article 2 of the Agreement on the New Development Bank establishes that: “Membership of the Bank shall be open to members of the United Nations in accordance with the provisions of the Articles of Agreement of the New Development Bank”.
- b) Article 5(b) provides that: “Membership shall be open to members of the United Nations at such times and in accordance with the terms and conditions as the Bank shall determine by a special majority<sup>2</sup> at the Board of Governors”. Article 11(b) establishes that the power to admit new members and determine the conditions of their admission rests with the Board of Governors and may not be delegated to Directors.
- c) Article 5(c) provides that: “Membership shall be open to borrowing and non-borrowing members”.
- d) In accordance with Article 5(d), countries interested in becoming members of the Bank may be invited, as decided by the Board of Governors, as observers at the meetings of the Board of Governors.

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<sup>1</sup> The Agreement on the New Development Bank and the Articles of Agreement of the New Development Bank of July 15, 2014, registered with the UN Secretariat on 27 May 2016 under the Registry No. 53647.

<sup>2</sup> A special majority is an affirmative vote of four of the founding members concurrent with an affirmative vote of two thirds of the total voting power of the members – Article 6(b) of the Articles of Agreement.

- e) Article 8 prescribes that :  
“No increase in the subscription of any member to the capital stock shall become effective, and any right to subscribe thereto is hereby waived, which would have the effect of:  
(i) reducing the voting power of the founding members below 55(fifty-five) percent of the total voting power;  
(ii) increasing the voting power of the non-borrowing member countries above 20(twenty) percent of the total voting power;  
(iii) increasing the voting power of a non-founding member country above 7(seven) percent of total voting power”.
- f) In accordance with Article 9(b), the Board of Governors shall determine the dates for the payment of amounts subscribed by the members of the Bank to the paid-in capital stock.
- g) In accordance with Article 11(a), each member shall appoint one Governor and one alternate in such manner as it may determine; Governors shall be at ministerial level, and may be replaced subject to the pleasure of the member appointing him or her.
- h) According to Article 12(b), the Board of Governors shall establish by a special majority the methodology by which additional Directors and alternates shall be elected, so that the total number of Directors shall be no more than 10(ten).

**Paragraph 3**  
**Conditions for membership**

- a) Consistent with the provisions in Paragraph 2, the conditions for membership shall include:
  - i) Membership of the United Nations.
  - ii) Subscription to a capital share of the Bank. Shares to be subscribed by new members will be determined by negotiation in line with a framework previously approved by the Board of Governors.
  - iii) Acceptance of the schedule of payments of the paid-in capital determined by the Board of Governors.
  - iv) Acceptance of the methodology established by the Board of Governors pertaining to the representation of new members in the Board of Directors.
- b) In addition, conditions for membership shall include the following:
  - i) Willingness to be bound by and undertake all other obligations arising from the Agreement on the New Development Bank and the provisions of the Articles of Agreement.
  - ii) Acceptance of the strategic objectives and principles of the Bank as approved by the Board of Governors.

- iii) Acceptance of the policies and procedures of the Bank as approved by the Board of Directors or, as the case may be, by Management.
- iv) Confirmation that the internal procedures necessary for it to become a member will be/have been followed.

## **CHAPTER II – PROCESS OF PREPARING FOR THE ADMISSION OF NEW MEMBERS**

The process of preparing for the admission of a new member will proceed following the sequence below:

- a) Preliminary discussions with a country that meets or can meet the conditions set out in paragraph 3 and that has indicated interest in becoming a member of the Bank (hereinafter referred as the “Prospective Member”).
- b) Approval of a framework for subscription of shares.
- c) Authorization for engaging in formal negotiations.
- d) Formal negotiations.

### **Paragraph 4 Preliminary discussions**

- a) After receiving indication of interest from a country, Management, in consultation with Directors, carries out preliminary discussions with representatives of that country.
- b) These preliminary discussions would include but not be limited to:
  - i) Exchange of information on the Bank’s operations, policies and priorities and on the Prospective Member’s economy;
  - ii) Indicative values of the number of shares to be initially subscribed by the Prospective Member;
  - iii) Possible amounts, schedule and procedures for payment of the amount to be subscribed by the Prospective Member to the paid-in capital stock of the Bank;
  - iv) The expected timeline for the Prospective Member to complete internal procedures required for admission to the Bank.

**Paragraph 5**  
**Framework for subscription of shares**

Management shall discuss with the Board of Directors and submit to the Board of Governors for consideration and approval the framework for the negotiations of shares and voting power

**Paragraph 6**  
**Authorization for engaging in formal negotiations**

Management shall inform Directors of the results of the preliminary discussions and, if they are positive, shall seek authorization from the Board of Governors to commence formal negotiations.

**Paragraph 7**  
**Formal negotiations**

- a) Following approval by the Board of Governors, Management shall commence the phase of formal negotiations with the Prospective Member, in consultation with Directors.
- b) Formal negotiations would include but not be limited to:
  - i) Comprehensive exchange of information, including in written form, about the Bank's operations, policies and priorities and the Prospective Member's economy;
  - ii) The number of shares to be initially subscribed by the Prospective Member, in line with the framework approved by the Board of Governors;
  - iii) The amount, schedule and procedures for payment of the amount to be subscribed by the Prospective Member to the paid-in capital stock of the Bank;
  - iv) Acceptance of the terms, conditions and procedures for membership;
  - v) Progress on the timeline for the Prospective Member to complete internal procedures required for admission to the Bank.
- c) Following formal negotiations, the Prospective Member shall submit a Letter of Application stating that the Prospective Member shares the objectives and principles of the Bank, and that it shall undertake the obligations arising from the Agreement on the New Development Bank, the Articles of Agreement and other terms, conditions and procedures for the admission to the Bank. The Letter of Application shall also specify the timeframe in which the Prospective Member will make its first payment to the paid-in capital stock of the Bank. The Letter of Application template is attached (Appendix 1 hereto).

**CHAPTER III – ADMISSION TO THE BANK**

**Paragraph 8**  
**Procedures for admission to the Bank**

- a) Upon receipt of the Letter of Application, Management informs Directors and transmits it to the Board of Governors.
- b) Upon consideration of the Prospective Member's Letter of Application and a report by Management on the outcome of the formal negotiations, the Board of Governors shall take a decision on admitting the Prospective Member to the Bank. The Board of Governors shall have the right to request specifications and amendments to the report by Management. In case specifications and amendments are requested, Management shall undertake further negotiations with the Prospective Member and, upon conclusion of these negotiations, come back to the Board of Governors for a final decision.

**Paragraph 9**  
**Procedures following an admission to the Bank**

- a) Should the Board of Governors resolve to admit the Prospective Member to the Bank, a duly certified copy of the Board of Governors' Resolution on Admitting a New Member (hereinafter referred to as "Resolution") shall be forwarded to the Prospective Member.
- b) The Prospective Member shall deposit with the Government of the Federative Republic of Brazil (the 'Depositary') an instrument setting forth that it has acceded in accordance with its laws to the Agreement on the New Development Bank and the annexed Articles of Agreement, as well as all the terms and conditions prescribed in the Resolution.
- c) The accession to the Agreement on the New Development Bank shall not contain any objection or reservation. However, the Prospective Member may make a declaration under Article 34(b) of the Articles of Agreement.
- d) The Prospective Member is considered to have formally acceded to the Agreement on the New Development Bank and to have been accepted as a member of the Bank from the date on which the instrument of accession is deposited.
- e) The Government of the Federative Republic of Brazil shall notify each member of the deposit of the instrument of accession as well as the date thereof.
- f) The number of shares to be subscribed by the new member as well as the schedule of payments to the paid-in capital stock of the Bank shall be specified in the Resolution, taking into account the outcome of the formal negotiations. The new member shall provide the Bank with a subscription form (template in Appendix 2 hereto).

- g) For each contribution, the Bank provides the new member with a Contribution Certificate in a form provided in Appendix 3 hereto.

**Paragraph 10**

**Representation in the Board of Governors and in the Board of Directors**

- a) Upon being admitted to the Bank, the member shall appoint one Governor and one alternate Governor in accordance with the provisions of the Articles of Agreement.
- b) Management shall discuss with the Board of Directors and submit to the Board of Governors for consideration and approval the methodology by which additional Directors and alternates shall be elected.
- c) New members shall elect Directors and alternates to represent them in the Board in accordance with the methodology established by the Board of Governors. The total number of Directors shall be no more than 10(ten). One Director and alternate may represent more than one member.

**CHAPTER IV – FINAL PROVISIONS**

**Paragraph 11**

**Disclosure**

This document will be made public after approval by the Board of Governors.

**Paragraph 12**

**Review of this document**

This document shall be reviewed every three years, or earlier if needed.

## Appendix 1

### Letter of Application Template

#### **Letter of Application**

To the Board of Governors of the New Development Bank

On behalf of *(Name of State)*, I am hereby authorized to inform that, guided by a shared belief in the objectives and principles of the New Development Bank, *(Name of State)* expresses its willingness to join the New Development Bank.

*(Name of State)* assumes the obligations arising from the Agreement on the New Development Bank and Articles of Agreement of the New Development Bank and other terms, conditions and procedures for the admission to the Bank.

I am hereby also authorized to declare on behalf of *(Name of State)* that *(Name of State)* undertakes to make its first payment of the amount subscribed to the paid-in capital stock of the Bank within *(a timeframe is given for making the first contribution)* from the date when *(Name of State)* is admitted to the Bank.

(Competent authority)

*(Name of State)*

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## Appendix 2

### Subscription Template

#### **SUBSCRIPTION**

In accordance with the Agreement on the New Development Bank and its annexed Articles of Agreement and the Board of Governors Resolution on Admission, (*Government Name in Full*) hereby subscribes xxxx (xxxxx) shares, in a total of xxxx dollars (USD xxxxxxx) of which xxx (xxx) are paid-in shares and xxxx (xxxxxx) shares are callable shares.

Payments to paid-in capital stock shall be made according to the attached schedule.

The (*Name of State*) has fulfilled all legal requirements necessary to make a valid and binding subscription.

On behalf of the Government

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Appendix 3

Contribution Certificate Template

**CONFIRMATION**

This is to confirm that the New Development Bank has received the (-----) installment of the capital contribution from the (*name of a member of the Bank*). The amount received was USD (*the amount of contribution*) \_\_\_\_\_.

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**Chief Financial Officer of the New Development Bank**