

## SECTION 2.—DEALINGS BETWEEN MEMBERS AND THE BANK

Each member shall deal with the Bank only through its Treasury, central bank, stabilization fund, or other similar fiscal agency, and the Bank shall deal with members only by or through the same agencies.

## SECTION 3.—LIMITATIONS ON GUARANTEES AND BORROWINGS OF THE BANK

The total amount outstanding of guarantees, participations in loans, and direct loans made by the Bank shall not be increased at any time, if by such increase the total would exceed 100 per cent. of the unimpaired subscribed capital, reserves, and surplus of the Bank.

## SECTION 4.—CONDITIONS ON WHICH THE BANK MAY GUARANTEE OR MAKE LOANS

The Bank may guarantee, participate in, or make loans to any member or any political subdivision thereof and any business, industrial, and agricultural enterprise in the territories of a member, subject to the following conditions:—

- (i) When the member in whose territories the project is located is not itself the borrower, the member or the central bank or some comparable agency of the member which is acceptable to the Bank, fully guarantees the repayment of the principal and the payment of interest and other charges on the loan:
- (ii) The Bank is satisfied that in the prevailing market conditions the borrower would be unable otherwise to obtain the loan under conditions which in the opinion of the Bank are reasonable for the borrower:
- (iii) A competent committee, as provided for in Article V, Section 7, has submitted a written report recommending the project after a careful study of the merits of the proposal:
- (iv) In the opinion of the Bank the rate of interest and other charges are reasonable and such rate, charges, and the schedule for repayment of principal are appropriate to the project:
- (v) In making or guaranteeing a loan, the Bank shall pay due regard to the prospects that the borrower, and, if the borrower is not a member, that the guarantor, will be in position to meet its obligations under the loan; and the Bank shall act prudently in the interests both of the particular member in whose territories the project is located and of the members as a whole:
- (vi) In guaranteeing a loan made by other investors, the Bank receives suitable compensation for its risk:
- (vii) Loans made or guaranteed by the Bank shall, except in special circumstances, be for the purpose of specific projects of reconstruction or development.

## SECTION 5.—USE OF LOANS GUARANTEED, PARTICIPATED IN, OR MADE BY THE BANK

(a) The Bank shall impose no conditions that the proceeds of a loan shall be spent in the territories of any particular member or members.

(b) The Bank shall make arrangements to ensure that the proceeds of any loan are used only for the purposes for which the loan was granted, with due attention to considerations of economy and efficiency and without regard to political or other non-economic influences or considerations.

(c) In the case of loans made by the Bank, it shall open an account in the name of the borrower, and the amount of the loan shall be credited to this account in the currency or currencies in which the loan is made. The borrower shall be permitted by the Bank to draw on this account only to meet expenses in connection with the project as they are actually incurred.

## ARTICLE IV.—OPERATIONS

## SECTION 1.—METHODS OF MAKING OR FACILITATING LOANS

(a) The Bank may make or facilitate loans which satisfy the general conditions of Article III in any of the following ways:—

- (i) By making or participating in direct loans out of its own funds corresponding to its unimpaired paid-up capital and surplus and, subject to Section 6 of this Article, to its reserves:
- (ii) By making or participating in direct loans out of funds raised in the market of a member, or otherwise borrowed by the Bank:
- (iii) By guaranteeing in whole or in part loans made by private investors through the usual investment channels.

(b) The Bank may borrow funds under (a) (ii) above or guarantee loans under (a) (iii) above only with the approval of the member in whose markets the funds are raised and the member in whose currency the loan is denominated, and only if those members agree that the proceeds may be exchanged for the currency of any other member without restriction.

## SECTION 2.—AVAILABILITY AND TRANSFERABILITY OF CURRENCIES

(a) Currencies paid into the Bank under Article II, Section 7 (i), shall be loaned only with the approval in each case of the member whose currency is involved: Provided, however, that if necessary, after the Bank's subscribed capital has been entirely called, such