

AGREEMENT ON FOUNDATION of the Interstate Bank

The States being the parties to this Agreement, hereinafter referred to as the Contracting Parties,

acting in pursuance of the Agreement on the Unified Monetary System and Coordinated Monetary and Foreign Exchange Policy of the States Retaining Ruble as the Legal Tender, and the Resolution of the Council of Heads of States and the Council of Heads of Governments, adopted in Bishkek on October 9, 1992,

being governed by the interests of preservation and development of multilateral industrial, trade and financial relations,

seeking to ensure stabilization of currency circulation,

recognizing the necessity and the importance of coordination of the banking institutions' activity,

with the purpose to establish the system of multilateral inter-state settlements, and to enhance monetary and financial impact on fulfillment of mutual inter-state obligations and influence of the payment and settlement mechanism on extension of direct connections among enterprises, organizations and business entities,

have agreed as follows:

Article 1

1. The Interstate Bank shall be established, hereinafter referred to as the Bank. The founders (members) of the Bank shall be the States of the ruble area and also the States having their own national currencies and participating in the multilateral settlements system, represented by the governments and the central (national) banks of the Contracting Parties.

2. The Bank shall ensure organization and effecting of multilateral settlements among the central (national) banks in connection with trade operations and other operations.

The Bank shall effect, within the bounds of the powers granted thereto by the Contracting Parties, coordination of the monetary policy of the parties to the Agreement for the purposes of facilitation to economic cooperation and development.

3. The Council of the Bank shall be the management body of the Bank, with the membership including one authorized representative from each member of the Bank. Resolutions shall be adopted by the Council of the Bank in accordance with the procedure determined by the Articles of Association of the Bank.

4. Settlements through the Bank shall be effected in rubles issued by the Central Bank of the Russian Federation.

Completion of clearing settlements as of a specific date shall be effected in rubles or, by decision of the Council of the Bank, in freely convertible currency.

Article 2

The Bank shall be a legal entity.

The location of the Bank shall be in the City of Moscow.

The Bank may participate in international financial and banking organizations and unions.

The activities of the Bank shall be governed by this Agreement and by the Articles of Association of the Bank, being an integral part thereof.

The relations between the Bank and the host country of the Bank, including the Bank's privileges and immunities, shall be determined by the appropriate agreement.

Article 3

The following functions shall be entrusted to the Bank:

organization and effecting of multilateral interstate settlements on trade operations and other operations and completion thereof from time to time on the basis of multilateral clearing (offset of counter claims);

organization of management of cash rubles issue and loan issue by the central (national) banks of the Contracting Parties. This function shall be only performed on condition of delegation to the Bank of the appropriate powers by the legislative bodies of the Contracting Parties concerned and conclusion of the appropriate agreement;

study and analysis of the economies of the Contracting Parties and preparation of proposals and recommendations to the central (national) banks for the purpose of coordination of their monetary and foreign exchange policies;

coordination of the activity of the central (national) banks of the Contracting Parties in the sphere of the methodology of performance of settlement and payment operations, organization of the system of accounting and reporting for settlement and other operations, and elaboration of proposals on convergence of the regimes of supervision over commercial banks;

clearing and seasonal lending to the central (national) banks in the course of effecting mutual multilateral interstate settlements;

performance of other operations complying with the Bank's goals and objectives ensuing from this Agreement and the Articles of Association of the Bank.

Article 4

1. The initial authorized capital of the Bank in the amount of five billion rubles shall be formed out of the contributions from the Bank's members in the amounts determined by the Council of the Bank.

2. Contributions to the Bank's authorized capital may be made in rubles, in a freely convertible currency, or in the form of buildings, constructions, equipment, or in the form of other inventory items and property.

The founders of the Bank shall make their contributions within one month from the date of this Agreement entering into force.

3. The amount of the Bank's authorized capital may be changed by decision of the Council of the Bank.

In case of admission of a new State to membership of the Bank, the amount of the Bank's authorized capital may be increased. The amount, the method and the time of the contribution from a new member of the Bank shall be determined by the Council of the Bank by agreement with the new member.

4. The Bank may have special funds, including the reserve fund, established by decision of the Council of the Bank.

Article 5

1. Current payments between economic entities of the Contracting Parties shall be effected on a bilateral basis and regulated by their national legislation.

Completion of settlements between the central (national) banks of the Contracting Parties shall be effected through the Bank by way of bank transfers on the basis of multilateral clearing.

2. One correspondent account shall be opened with the Bank for each central (national) bank.

3. The Bank shall, on a daily basis, effect multilateral clearing and determine the settlement position of each central (national) bank in its relations with all the other central (national) banks.

The frequency of and the procedure for completion of settlements on the results of multilateral clearing shall be determined by the Council of the Bank.

Article 6

1. To complete the settlements on multilateral clearing, the Bank may, at the first stage, to grant credits to the members of the Bank in the amounts not exceeding, as a rule, the monthly amount of proceeds to such member's account, at the expense of the credit facility opened to the Bank by the Central Bank of the Russian Federation.

Subsequently, the limiting amounts of the permissible credits from the Bank to the central (national) banks shall be determined by the Council of the Bank.

The central (national) banks shall repay their indebtedness to the Bank out of the credits obtained on a bilateral basis or by a freely convertible currency.

The central (national) banks shall regulate their payment relations on a bilateral basis in a manner ensuring compliance with the clearing lending limits established for each of them by the Council of the Bank.

The credits shall be provided prior to the following regulation of the clearing accounts.

2. Interest shall be charged for using clearing credits at the rates established by the Council of the Bank.

3. Claims to a debtor central (national) bank in excess of the permissible amount of a clearing credit shall be repaid thereby within five banking days from sending thereto of the appropriate notice from the Bank.

4. The Bank shall inform the competent authorities of the Contracting Parties of the committed violations of payment obligations.

5. The Bank shall have the right to restrict or fully cease settlements with central (national) banks violating their payment obligations to the Bank.

Article 7

Each Contracting Party shall, at conclusion of trade and economic agreements for each subsequent year and within the bounds of the overall goods turnover, seek to ensure the balance of proceeds and payments in rubles on the whole with all the other Contracting Parties within a calendar year. At doing that, creation (use) of potential reserves in rubles and also raising (repayment) of credits may be taken into consideration.

Article 8

Settlements on non-trade operations shall be effected on the basis of the existing agreements on settlements on non-trade payments.

Article 9

The Bank may open correspondent accounts for the central (national) banks of other states for their participation in multilateral settlements in rubles with the central (national) banks being the members of the Bank, in accordance with the procedure and on the terms determined by the Council of the Bank.

Article 10

To ensure performance by the Bank of the tasks and the functions provided for by this Agreement, the central (national) banks of the Contracting Parties shall provide to the Bank their balance sheets and other information within the time limits and in the volume determined by the Council of the Bank.

Article 11

Other states sharing the objectives and the principles of the Bank's activity may accede to this Agreement.

The procedure for admission of new members of the Bank shall be determined by the Bank's Articles of Association.

Article 12

This Agreement may be amended only on consent of all the Contracting Parties.

Article 13

Each Contracting Party may withdraw from participation in this Agreement, with at least six months' notification to the Council of the Bank. During the above said period, the relations between the Bank and the respective Contracting Party shall be settled as regards their mutual obligations.

Article 14

This Agreement shall enter into force on the day of signing, or, with respect to Contracting Parties the legislation of which requires ratification of such agreements, on the day of deposition of the instrument of ratification to the depository state.

Executed in the City of Minsk **on January 22, 1993** in one original counterpart in the Russian language. The original counterpart shall be kept in the Archive of the Government of the Republic of Belarus, that will send a certified copy of this Agreement to the states having signed the same.

for the Republic of Armenia
L. Ter-Petrosyan

for the Russian Federation
B. Yeltsin

for the Republic of Belarus
S. Shushkevich

for the Republic of Tajikistan
E. Rakhmonov

for the Republic of Kazakhstan
N. Nazarbaev

for Turkmenistan
S. Niyazov

for the Republic of Kyrgyzstan
A. Akaev

for the Republic of Uzbekistan
I. Karimov

for the Republic of Moldova
M. Snegur

for the Ukraine
L. Kravchuk

The Agreement on Foundation of the Interstate Bank dated January 22, 1993 entered into force with respect to:

the Republic of Armenia – on March 16, 1994;
the Republic of Belarus – on June 10, 1993;
the Republic of Kazakhstan – on April 20, 1994;
the Republic of Kyrgyzstan – on April 02, 1994;
the Republic of Moldova – on May 24, 1994;
the Russian Federation – on December 06, 1993;
the Republic of Tajikistan – on August 26, 1993;
Turkmenistan – on January 22, 1993;
the Republic of Uzbekistan – on November 03, 1993;
the Ukraine* - on September 19, 1993.

* The Ukraine is applying the provisions of the Agreement on a temporary basis until ratification.