IN THE NAME OF GOD

INTERNATIONAL COURT OF JUSTICE

CASE CONCERNING
CERTAIN IRANIAN ASSETS

(ISLAMIC REPUBLIC OF IRAN V. UNITED STATES OF AMERICA)

ATTACHMENTS AND ANNEXES TO THE REPLY
OF THE ISLAMIC REPUBLIC OF IRAN

VOLUME IV

17 August 2020

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Page “History of Bank Melli” on Bank Melli’s website

HISTORY OF BANK MELLI IRAN

The year 1307(1928) should be regarded as a turning point in Iran's banking and economic history. It was in that year that after nearly 40 years of foreign dominance on the country's banking scene, Bank Melli Iran, the first Iranian commercial bank was established and the long cherished aspiration of the Iranian nation turned into reality .

With the establishment of Bank Melli Iran and consequential suspension of foreign banks licenses, the disorderly economic trend of the country was reversed and the newly founded bank began to gather momentum in strengthening of the economic structure and development of agriculture, industry and commerce by mobilizing the huge financial resources and popular savings and by channeling credits toward productive activities.

During the 89 year period ensuing the foundation of Bank Melli Iran the country has witnessed a great deal of changes and turnarounds.

Bank Melli Iran which had been founded as a result of an economic exigency, developed at later stages into an active and dynamic element assuming an accelerating role in the country's economic advancement.

In the year 1310(1931) parliament granted sole powers to Bank Melli Iran to issue banknotes, thus establishing the bank as the country's bank of issue. Thereafter the bank assumed responsibility for additional central bank functions including government banking operations, the regulation of currency circulation, maintenance of balance of payments surpluses, credit regulation as well as supervision of the country's banking system.

In the year 1339 (1960) pursuant to the promulgation of the State Banking and Monetary law and the establishment of Central bank of Iran, Bank Melli Iran relinquished its central banking functions.

Such development enabled Bank Melli Iran to concentrate more fully on commercial banking transactions and to achieve further success by taking long strides on that front.

DOMESTIC BANKING

The prominent role of Bank Melli Iran in the country's economic performance underlines the fact that as a pioneer of commercial banking in Iran it has tremendously stimulated growth and development in our Muslim homeland. By continuous reliance on the popular confidence and adherence to monetary and credit policy of the country, Bank Melli Iran has emerged as a powerful arm of the government in assisting the pace of economic development.

Compared to other commercial banks in the country a greater volume of the foreign exchange operations, government banking services and a sizeable share of project and trade financing are handled and managed by Bank Melli Iran, making it the largest provider of finance for the country's 5-year development plans.

Bank Melli Iran, with 89 years of history, more than 43,000 personnel and over 3300 branches in Iran and presence in all the world's major financial and banking centers has effectively contributed, as the largest commercial bank, to the country's economic objectives. Of marked importance is the considerable share of the bank in the private sector deposits and total credit facilities granted within the country's banking system as a whole. Within Iran the bank has grown to become the largest in terms of assets and deposits as well as credit facilities.

Bank Melli Iran has similarly been able to contribute to the country's economic growth in pace with the national foreign exchange policies. The bank is responsible for handling sizeable share of the government's foreign currency payment operations and also for providing foreign exchange services to industry and entrepreneurs via its domestic and international branches and by utilizing an extensive network of correspondent banks worldwide.

INTERNATIONAL BANKING

As a long time regulator of the relations between Iranian and foreign banks, Bank Melli Iran is a widely recognized name in the world's money and banking|community.

The first foreign branch of the bank was opened in Hamburg, Germany in 1344 (1965) . Ever since Bank Melli Iran has augmented its international presence through its fast developing foreign network which currently includes 16 branches and subsidiary banks and also by utilizing the services of an extensive global network.

Due to its prominent position within the Iranian banking system and the strength of its international branch network, Bank Melli Iran is responsible for handling a sizeable share of the government's foreign currency payments and for providing quality foreign exchange payments services to industrialists and entrepreneurs through its domestic and international branch offices.

The positive attitude of commercial and industrial institutions in their choice of Bank Melli Iran for their foreign exchange operations is an explicit manifestation of the clientele trust and confidence.

Initiation of correspondent banking liaison, sound management of the foreign exchange resources, steady improvement of domestic and international services, assisting the pace of development in the area of foreign commercial transactions and deposit base and project feasibility study and financing are among the major tasks performed by the bank's international division.

The branches of Bank Melli Iran dealing in foreign exchange transactions will be ready to address the requirements of both exporters and importers in line with the country's foreign exchange policies and on the basis of the guidelines issued by Central Bank of the Islamic Republic of Iran.

The bank takes pride in providing high quality foreign exchange and payments services to international industrial, commercial and banking institutions throughout the world and highly values their custom.

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Page “About Us” on Bank Melli PLC’s website

About Us

mellibank.com/AboutUs

In 1967 our parent company, Bank Melli Iran, opened branches in London and established itself as the expert in trade financing for UK organisations wishing to work with Iran. In January 2002, after 35 years of successful operations, business was transferred into the newly created Melli Bank Plc, a wholly owned subsidiary of Bank Melli Iran.

The strong relationship with our parent company enables us to benefit from its vast domestic and international network, yet at the same time our independent Board of Directors has the flexibility needed to operate successfully in the fast moving and highly competitive world of international banking.

Building further on success is our objective, and as part of our ongoing strategic development plans, we have recently opened a branch in Hong Kong, extending our reach directly into the Far Eastern markets of China, South Korea and Japan, all of whom are amongst Iran's leading trading partners.

Melli Bank is authorised by the Prudential Regulation Authority and regulated by the Financial Conduct Authority and Prudential Regulation Authority, and conforms to all UK accounting standards and disclosure requirements.

1. Shareholder History

1928 was a turning point in the banking history and economy of Iran for this was the year in which the first Iranian commercial bank was established. This bank was Bank Melli Iran and with it, after some forty years of foreign domination of the banking affairs of the country, the desires of the Iranian people were fulfilled.

Establishment of Bank Melli Iran and the revision concessions of foreign bodies brought greater order to the economic situation of the country. Bank Melli Iran increased the stability of the economic base and enabled development of agriculture, industry and commerce by collecting the people's deposits and applying the credits to the development of productive areas of the country's economy. Bank Melli Iran, as an active stimulant for growth, successfully fulfilled an important role in the economic development of the country. The role of Bank Melli Iran continued to expand and in 1931 the bank was given the exclusive right for circulation of the banknotes of Iran by the parliament at that time

The role of Bank Melli Iran continued to grow with the Bank undertaking the banking operations of government such as arranging the cash flow, protecting the value of money, arranging credits, protecting the balance and supervising to banking system of the country, effectively performing the duties of central Bank. Eventually, this situation was addressed and in 1950, following approval of banking and monetary law, Iran established a Central Bank. The establishment of a separate Central Bank allowed Bank Melli Iran to focus on commercial affairs and development of transactions.

In almost eighty years since the establishment of Bank Melli Iran the country has seen many great changes. Bank Melli Iran has been in a position to assist and benefit from those changes.

2. REGULATION

Melli Bank Plc is a UK incorporated bank, authorised by the Prudential Regulation Authority and regulated by the Financial Conduct Authority and Prudential Regulation Authority and conforms to all UK accounting standards and disclosure requirements. It is a wholly owned subsidiary of Bank Melli Iran, the largest bank in Iran which has had a presence in London since 1967. Melli Bank Plc acquired the assets of the London branches of Bank Melli Iran upon commencement of its operations in January 2002.

3. Compliance and Money Laundering

The Bank has developed a proficient compliance team with the aim of continuing full compliance with regulatory demands throughout the Bank, as well as providing timely and accurate guidance to the business. Rules are strictly enforced at all times, and the correct guidance followed, as a result of the close and effective relationship the bank maintains with regulators.

The Bank recognises the critical importance of the fight against money laundering and financing of terrorism. To this end the Bank enforces strict compliance and adherence to both the letter and spirit of the United Kingdom's and Hong Kong's regulations for fighting against financial crime.

Relevant members of staff receive specialised in-house training and external training to remain fully familiar and conversant with all pertinent guidelines and regulations. The Bank remains alert to any activity or transaction that might give rise to suspicion. Bank staff are fully trained in the internal reporting process of suspicious activities. In accordance with the Bank's ethos the compliance team continues to expand its expertise to meet the growing changes in regulation. In consequence the Bank will benefit from a stronger and well informed management team.

Please click the following links to download the documents.
Melli Bank Plc Anti Money Laundering and Combating the Financing of Terrorism Statement
Wolfsberg AML questionnaire
W8-Ben E form for Melli Bank Plc
Complaints procedures for Melli Bank Plc (UK)
Complaints procedures for Melli Bank Plc Hong Kong Branch

Annex 91

Homepage of Bank Sepah's website

The profile of the first Iranian Bank

banksepah.ir/English/1077/Home.aspx

Friday8 May 2020

Bank Sepah the First Iranian Bank

Central Branch

Bank Sepah The First Iranian Bank

Sepah Bank is active in implementing national projects

Sepah Bank is active in implementing national projects
Sepah Bank is active in implementing national projects Sepah Bank is active

Read More

As the first established Iranian bank, Bank Sepah started its operations on May 4, 1925. The Bank Articles of Association were fundamentally revised in 1926, thus enabling it to render financial and banking services for economic activities. Now, as one of the most influential Iranian financial institutions, Bank Sepah with 92 years of experience effectively contributes to achievement of

the country's macroeconomic goals through mobilizing the funds from depositors and allocating them to the productive sectors. With a paid-up capital of IRR 119,531,843 million, the Bank now is one of the six Iranian state banks (wholly owned by the Government of I.R. of Iran) which plays a significant role in the economic development of Iran, through providing services on both national and international bases, within the framework of its three-year Strategic Plan, taking full advantage of its 1766 domestic branches, the three overseas branches in Paris, Rome and Frankfurt and one wholly-owned subsidiary, Bank Sepah International plc, in London. The bank has recently designed and executed Top Quality Customer Satisfaction scheme to further enhance its client-oriented performance. The following are among the highlights: • Providing the clients with the necessary information through the Bank's website, direct phone lines, and information stands; • Elaborating the Bank's services through brochures, annual reports, banners, T.V. and radio advertising, publications and billboards; and • Executing 5S methodology throughout branches in order to increase security, improve the Bank's services and gain the satisfaction of the clients.

Update 06/05/2020

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Page “History” on Bank Saderat’s website

History

bsi.ir/en/Pages/About_BSI/History.aspx

As a private bank , BSI was established in 1952 . with around 3000 active branches , BSI runs the largest banking network in Iran . In 2000 , BSI started offering electronic online services , and now pioneers in the number of online branches ATM . machines , and point of sale terminals with remarkable share of the market .
With close to 60 years of banking experience, a deep sense of commitment to its basic principle and a full implementation of usury-free Islamic banking, BSI, as a credible popular bank always attempts to maintain its top position among other rivals through following the lead in international banking and customer–oriented principles and offering quality banking services. In addition, BSI has a leading role in achieving customer satisfaction and developing the economy of our Islamic country.
From the very beginning, BSI endeavored to encourage innovation in banking services in line with its customer – oriented marketing strategy .
The first BSI overseas branch was established in Hamburg, Germany in 1961, which was followed by opening of other overseas branches Including London , Frankfurt , paris , Athens , Ashkabad , Muscat , Qatar , (2 branches) , UAE (8 branches plus one Regional Office) , Lebanon (5 branches plus one Regional Office) . Now BSI has the full or partial ownership of 4subsidiaries and independent overseas bank including BSI , PLC in London . The overall BSI banking units currently stands at 25 .
Although ,our overseas branches are providing retail banking services, their core business remains to be Trade Finance.
In 2013.03.20 , BSI has IRR 22,906,142 million ($ 1,868 million) as share capital. Its capital adequacy ratio and profit was 7.87% and IRR 4,992,689 million ($ 407 million) respectively .
At present, the capital of bank Saderat Iran has increased to IRR 57800 billion (USD 4.7 billin)

The following table shows BSI's shareholders and the number and percent of shares:

No.	Description	Number of shares	Percent
1	Individuals	2,985,424,586	13
2	Legal Persons	4,403,554,060	19.3
3	BSI staff	1,145,307,098	5
4	Islamic Republic of Iran Government	5,209,399,496	22.7
5	Provincial investment co	9,162,456,760	40

	Total	22,906,142,000	100

Some of the international awards that Bank Saderat Iran has recieved are as follows:

Brand Valuation Certificate and International Standard ISO 10668:2010 , from ICS Group in Canada .
Certificated of Quality Management Standard ISO 9001 .
International Certificate on Clients Trust in Banking Industry , from ICS Group in Canada .
Premium Bank of the 2 nd Conference on Electronic Banking and Payment Systems .
Market Leading on Banking in the 8 Th National Festival of Iran Industry Championship .
National Award of Organizational Development in Banking Industry .
Premium Award of Public Relation Management in Developing Commercial Brand.

In line with respecting the customers and achieving customers' satisfaction, Bank Saderat Iran, with its constant mottos "BSI at people's service" and "Customer is right", has been awarded the following honors:
In 2001 "The Banker" announced BSI as the Bank of the Year 2001.
In 2005 "Euro Money" announced BSI as the most honest financial institution in Iran.
In 2006 "Islamic Finance News" announced BSI as the best Islamic Bank in Iran for the quality of its banking products and services.
In 2008 "Global Finance", published in New York, announced BSI as the best Islamic Financial Institute in Iran.
In 2011 "The Banker" ranked BSI 259th within 1000 world top banks in terms of capital tier one, becoming No. 1 among other Iranian banks. Last year, BSI was ranked fifth on the list of 100 top national companies, released annually by Iran Industrial Management Organization, beating all other national banks.

Annex 93

Page “Bank Saderat Iran” on the Tehran Stock Exchange’s website

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First Page

Saderat Bank (BSDR1) - Instrument state code : Authorized - Supervisor interference - **18:12:07**

Last traded price	**3,990**	Yesterday Price	4,120	Number Of Trades	86294	EPS	
-130 (%-3.16)		Maximum Price	4,120	Trade Value	6,254,332,253,510	P/E	
Closing Price	3,970	Minimum Price	3,920	Number Of Traded Shares	1,573,830,064	Max Authorized Price	1,030
-150 (%-3.64)		First Price	4,030	Base Volume	27,586,207	Min Authorized Price	970
Last Trade Date	1399/5/14 - 12:30:00			Market Cap (milion IRR)	696,155,268	Number of Shares	175,353,972,000

Buy No #	Buy Quantity	Buy Price	Sell Price	Sell Quantity	Sell No #
402	4,733,001	4,000	4,000	7,250,968	715
265	2,082,947	3,990	4,010	899,191	58
68	582,969	3,980	4,020	3,155,582	80

PublishDate	FinantialPeriod	EPS Estimated EPS	Estimated PreEPS	Actual EPS	Actual PreYear EPS	Actual PrePriod EPS

Related Companies - Name	Last Traded Price	Number Of Trades	Number of Traded Shares	Trades Value
Day Bank (BDYZ1)	70,126 (5.00%)	65015	119510006	8326379022873
Parsian Bank (BPAR1)	4,560 (4.83%)	51805	2122530665	9473062682630
S"Pasargad Bank (BPAS1)	13,260 (4.99%)	6373	94321037	1250690298680
S"EN Bank (NOVN1)	6,690 (4.86%)	4638	79452066	531534321540
Post Bank (BPST1)	16,590 (-4.98%)	4017	20507322	342021547240
Tourism Bank-R (GRDX1)	20,188 (5.00%)	2287	30597011	616067911099
Karafarin Bank (KRAF1)	17,710 (-4.99%)	2144	8380119	148762424520
Melal Credit Inst. (ASKZ1)	17,027 (4.99%)	1558	29649911	504849034597
MelalCredit Inst-R (ASKX1)	13,732 (4.99%)	1129	11337470	155609450806
Sina Fin. Ins. (VSIN1)	21,180 (4.59%)	963	10208804	216576500860

Major Shareholders' Names in English

Shareholder	Number Of Shares	Percent of Shares	Changes
The Government of the Islamic Republic of Iran	16,236,397,200	9.250	
Sepehr Saderat Financial Group Investment Co. - Private Joint Stock	15,373,655,656	8.760	
Dara First Exchange Trade Fund	9,961,816,069	5.680	
Sepehr Saderat Marketing Investment Fund	5,209,315,883	2.970	
Kharazmi Investment Company - Public Joint Stock	5,125,465,304	2.920	
Mellat Financial Group Co. - Public Joint Stock	5,053,709,128	2.880	
Tehran Province Investment Co.	4,856,277,651	2.760	
Khorasan Razavi Province Investment Co.	3,906,714,710	2.220	
Fars Province Investment Co.	2,943,971,862	1.670	
Khouzestan Province Investment Co.	2,866,937,599	1.630	
Isfahan Province Investment Co.	2,581,093,451	1.470	
East Azarbayjan Province Investment Co.	2,282,273,564	1.300	
Mazandaran Province Investment Co.	2,104,735,911	1.200	
Kerman Province Investment Co.	1,969,336,737	1.120	
West Azarbayjan Province Investment Co.	1,771,951,551	1.010	
Sistan and Balouchestan Province Investment Co.	1,765,969,149	1.000	

Summary

Annex 94

Page “EDBI at a glance” on EDBI’s website

Export Development Bank of Iran:: About Us

en.edbi.ir/general_content/1602/1602.htm

EDBI mainly focuses on the promotion of non-oil exports of the goods and services. Hence, the Bank aspires to foster its position as being the "Bank of Choice" for Iranian exporters.

About EDBI

According to the approval made by the Extraordinary General Assembly of the Banks on July 10, 1991, Export Development Bank of Iran was founded on November 24, 1991 under registration number 86936 as a governmental bank. It operates in compliance with the international standards comprehensively under the surveillance of the Bank's regulator, i.e. Central Bank of the Islamic Republic of Iran (CBI) and plays a leading role in providing financial facilities as well as other banking and advisory services to Iranian exporters and their foreign counterparts and clients.

EDBI mainly focuses on the promotion of non-oil exports of the goods and services. Hence, the Bank aspires to foster its position as being the "Bank of Choice" for Iranian exporters.

The main activities of the Bank are extending export facilities in domestic and foreign currencies, rendering buyers credit financing, correspondent banking operations, trade finance including letters of credit and guarantees, and other banking operations. With relations through more than 120 correspondent banks in about 50 countries all around the world, EDBI acts as the EXIM Bank of Iran to offer its clients the best possible international banking services.

Head quartered in Tehran, the branch network includes 40 domestic branches, three of which located in the free trade zones (Kish, Chabahar and Qeshm).

EDBI enjoys Arman, Stock Brokerage as well as Exchange Brokerage as its main affiliate

Arman, a leading Investment bank and a subsidiary company of EDBI involves in rendering Debt Market Underwriting, Fixed Income Fund Management and is the primary choice of numerous major firms and institutions in Iran for diverse advisory and issuance services.

The Bank offers corporate customers through its brokerage office at Tehran Stock Exchange several options for trading, asset management, underwriting, and investment advisory services with multi channel electronic access including the internet. The Bank is determined to develop incrementally a complete range of investment banking services.

Via high potential of its exchange company, EDBI also introduces a highly acclaimed over-the-counter foreign exchange services, offering banknotes in all hard and regional currencies, remittances, etc.

For more information please downlad EDBI presenatation

- Presentation Jan 2017.pptx

Annex 95

Page “About us” of TIC’s website

History | Telecommunications Infrastructure Company

tic.ir/en/history

Telecommunication Infrastructure Company is responsible for telecommunication networks infrastructure in Iran, it is working as the governmental body of ICT Ministry with the aim of creating, developing, managing, organizing, supervising, maintaining and implementing the main communication backbone of the country and continous its infrastructural activities.

The bandwidth providing and distribution (Internet, intranet, MPLS and VPLS), point-to-point services (inter-city, inter-provincial and international), cloud TDM service, international transit service (border to border), NIX and Peering services are only a few examples of the massive services provided by the Telecommunication Infrastructure Company.

Providing the internet services to mobile phone operators, ISPs, and scientific, cultural, economic and military centers are among other activities carried out by this company. The comprehensive development of telecommunication backbone network based on the modern technology to meet the present and future needs of the national and international users, effective presence in regional and international telecommunication communities and markets, and converting Iran to a strong communication hub in the Middle East are among the main goals of this company.

The Telecommunication Infrastructure Company believes that the way to increase domestic network strength and enhance the regional and international status of Iran in terms of telecommunications passes through cooperation and constructive interaction with all agents in this area.

Annex 96

Page "National Petrochemical Company – The History and Structure" on NPC's website

National Petrochemical Company

en.nipc.ir/index.aspx

National Petrochemical Company; the history & structure

The cornerstone of petrochemical industry in Iran was laid in the late 1950s, when the Fertilizer Authority was established by the Ministry of Economic Affairs and Finance, leading to the implementation of Marvdasht fertilizer project in Fars Province in 1958. Due to the broader specialized activities needed to be conducted in harmony with the oil and gas industries, the establishment of a sovereign organization seemed necessary so that it could lead the development of petrochemical industry. Hence, the National Petrochemical Co. (NPC), an state owned entity and an affiliate of the National Iranian Oil Company, was set up in 1964, in order to integrate all the activities related to the development of petrochemical industry in Iran.

Development Process of Petrochemical Industry

Petrochemical Industry's development process in Iran consists of five specific stages:

1-The Genesis Stage: It dates back to 1963 when NPC was established and Shiraz Petrochemical Company which was a fertilizer facility came on stream in 1964.

2-The Early Expansion Stage: During this period, NPC started constructing several petrochemical facilities including Razi, Abadan, Pazargad, Carbon Ahvaz, Kharg, Farabi, Bandar Imam and Shiraz expansion project. These plants were completed during 1964-1977.

3-The Stagnation Stage: After former Iraqi dictator Saddam Hussein invaded Iran in 1979, Iranian petrochemical facilities came under heavy bombardments. As a result, production plummeted to a record low and the completion of Bandar Imam Project came to a halt. Despite the war, several petrochemical projects including the expansion projects of Shiraz continued.

4-The Revival and Renovation Stage: When the war ended in the late 1980s, the execution of Iran's first and second 5-year development plans which included several development projects such as Isfahan and Arak facilities as well as phase one of Bandar Imam plant, which used to be known as Iran-Japan Petrochemical Co. (BJPC), brought the output to 12 million tons by 1999.

5-The Great Leap and Stabilization Stage: During this period, the country's third, fourth and fifth 5-year development plans were implemented as a result of which Iran's petrochemical sector grew further to establish itself be known as a world class industry. This period stands out because of rapid growth in the quantity and value of the products, promotion of the industry among the country's non-oil exports, the expansion of

petrochemical industry's share in the national economy and promotion of its position among regional and global players by optimal use of the country's comparative advantages.

The symbol of such presence is the change made in NPC's economic indexes and parameters including production, export, investment, added value and national production share, regional partnerships and expansion of target export markets.

By March 2018, the nameplate capacity and production output amounted to 64 and 53.6 million tons respectively and petrochemical industry share accounted for %36.9 of Iran's non-oil exports while its share of industrial products export jumped to %38.5.

NPC plays a new role as a regulator and development organization

With the formal application of the Article 44 of the Constitution, all petrochemical companies were handed over to the private sector and NPC, as a development company, changed its mission from an economic corporation to a regulatory and policy-making company responsible for development of the country's petrochemical industry. The main roles of NPC in its new mandate are as follows:

1-Applying maximum use of technical and professional capabilities for a fair, balanced and optimized organization and management of feedstock allocation to upstream and midstream petrochemical industries.
2-Conducting necessary interactions with the relevant authorities such as Ministry of Petroleum, specialized committees of the Parliament to ensure for fair pricing of the upstream feedstock.
3-Efficient cooperation with relevant authorities in setting long term pricing formula for the feedstocks received from upstream resources, taking a balanced approach towards the country's national interest and economy of the private sector.
4-Assisting and monitoring product commercialization.
5-Assisting the establishment and development of infrastructure facilities required for development of petrochemical industry.
6-Assisting the removal of production barriers that petrochemical complexes might face, through interactions with other parties involved and expediting the implementation of feedstock-supply projects.
7-Participating in the allocation of urea quotas and overseeing the performance of production companies in delivering their urea output to respective government bodies .
8-Facilitating the provision of new technologies to remove production barriers.
9-Assisting the supply petrochemical products to local market and balancing the supply and demand in order to plan for timely provision of raw materials for downstream industries.
10-Assisting the control of products prices in local markets by allowing petrochemical companies to sell their products in Iran Mercantile Exchange.
11-Coordinating the production and sales of certain grades of products much needed by local market with aim of reducing the import of such products.
12-Supplying the information on petrochemicals production and sales capacities to the

private companies active in the land and sea logistics of products in order to plan for building future infrastructure facilities.
13-Assisting the expansion of export markets of Iran's petrochemical products.
14-Planning to establish executive and legal institutes in order to perform regulatory roles in petrochemical industry.

Annex 97

Page “About Us” on Behran Oil website

About Us

behranoil.co/en/page/about.html

1. Home

Behran Oil Co. is the leading lubricant manufacturing company in Iran with dominant market share in terms of automotive and industrial lubricants, and also one of the top thirty worldwide lubricant manufacturing companies.
Initially on July 6th, 1962 the joint venture of Iranian group and Exxon was founded as a blending unit for producing motor Oil with ESSO trade mark in Tehran. In 1968 Base oil refinery with the production capacity of 30000 T/Y commissioned.
Throughout the years, number of different expansion and modification projects improve the quality as well as quantity of base oil production to more than 220000 tons per year.
Manufacturing & Marketing of more than 300000 T/Y of different 900 products including automotive oils, industrial oils, greases, petroleum waxes, process oils, engine coolants / antifreezes and furfural solvent in different packages from 1 to 1000 liter
Production of Furfural solvent in Shushtar city as the only producer in west Asia since 2007 Leading private gas station network in Iran sine 1984
Behran initiated exporting its products in 1991 with the sales of paraffin wax and furfural extracts to international market such as Pakistan and Italy. Now with relying on its logistic abilities, Behran exports to more than 40 countries in 3 continents Europe, Asia and Africa. Export and import terminal in Imam Khomeini port with storage capacity of 25000 m with heating, loading and unloading facilities and rail way connection is one of the Behran's advantages.
Behran Oil Company has been progressively increasing its commitment in the field of lubricant production technology through considerable investment in research and development and its R&D department provides improvement in products quality and tailor-made Formulations according to market demand and high international standards.
Behran's state of the art products give a high level of satisfaction to customers and meet or exceed the products quality, protection of environment and production in accordance with highest National and international standards and also is a ISO 9001, ISO 14001, OHSAS 18001, ISO 17025 and ISO TS 16949 certified company.

Annex 98

Page “Behran Oil Company” on the Tehran Stock Exchange website

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First Page

Behran Oil (NBEH1) - Instrument state code : Authorized - Supervisor interference - 17:40:22

Last traded price	**94,100**	Yesterday Price	89,620	Number Of Trades	833	EPS	
4,480 (%5.00)		Maximum Price	94,100	Trade Value	70,334,104,000	P/E	
Closing Price	92,840	Minimum Price	94,100	Number Of Traded Shares	747,440	Max Authorized Price	12,320
3,220 (%3.59)		First Price	94,100	Base Volume	1,040,000	Min Authorized Price	11,604
Last Trade Date	1399/5/14 - 12:29:36			Market Cap (milion IRR)	241,384,000	Number of Shares	2,600,000,000

Buy No #	Buy Quantity	Buy Price	Sell Price	Sell Quantity	Sell No #
1261	4,311,237	94,100	94,100	1,787	16
5	411	94,090	95,910	26,000	2
10	6,513	94,000	97,720	2,300	2

PublishDate	FinantialPeriod	EPS Estimated EPS	Estimated PreEPS	Actual EPS	Actual PreYear EPS	Actual PrePriod EPS

Related Companies - Name	Last Traded Price	Number Of Trades	Number of Traded Shares	Trades Value
B.A Oil Refinie (PNBA1)	49,050 (-2.02%)	105331	151617226	7528825973900
Palayesh Tehran (PTEH1)	47,360 (-4.99%)	88078	135666228	6609384526510
S"Isf. Oil Ref.Co. (PNES1)	46,870 (-4.99%)	64349	161189764	7604368495820
Tabriz.Oil.Refine (PNTB1)	55,080 (-4.99%)	19837	25946993	1432148074940
Iranol (NOLZ1)	39,161 (-5.00%)	4770	6130428	248647197425
Lavan Oil Ref. (PNLZ1)	154,000 (-4.64%)	3677	4875138	757849922344
Palayesh Naft (PRZZ1)	146,000 (-2.97%)	2087	855112	129691062303
Sohan Naft (SEPP1)	38,020 (5.00%)	1659	5143377	195551193540
Pars Oil (NPRS1)	89,050 (-2.86%)	1572	1166069	106136496900
NPSZ (NPSZ1)	35,245 (-2.32%)	965	2948058	105426201010

Major Shareholders' names in English

Shareholder	Number Of Shares	Percent of Shares	Changes
Mostazafan Foundation	بنیادمستضعفان انقلاب اسلامی	778,789,511	29.950	
Sina Energy Development Co. - Private Joint Stock	-شرکت انرژی گستر سینا-سهامی خاص	549,705,840	21.140	
Taban Farda Petrochemical Group Co. - Public Joint Stock	-شرکت گروه پتروشیمی تابان فردا-سهامی عام	225,046,164	8.650	
Ahdaf Investment Co. - Public Joint Stock	-شرکت سرمایه گذاری اهداف-سهامی عام	185,321,496	7.120	
Tosee Meli Investment Company - Public Joint Stock	-شرکت سرمایه گذاری توسعه ملی-سهامی عام	46,470,223	1.780	
Sarmaye Saba Development and Management Co. - Private Joint Stock	-شرکت توسعه ومدیریت سرمایه صبا-سهامی خاص	27,768,170	1.060	

Summary

Annex 99

Page “Iranian Marine and Industrial Co.” on the Tehran Stock Exchange website

S*IRI Marine Co. (KSHJ1) - Instrument state code : Authorized - Supervisor interference - **17:54:39**

Last traded price	**78,400**	Yesterday Price	75,400	Number Of Trades	80773	EPS	
3,000 (%3.98)		Maximum Price	79,170	Trade Value	7,891,525,214,680	P/E	
Closing Price	75,860	Minimum Price	71,630	Number Of Traded Shares	104,025,216	Max Authorized Price	2,856
460 (%0.61)		First Price	71,630	Base Volume	1,616,379	Min Authorized Price	2,690
Last Trade Date	1399/5/14 - 12:29:59			Market Cap (milion IRR)	1,635,541,600	Number of Shares	21,560,000,000

Buy No #	Buy Quantity	Buy Price	Sell Price	Sell Quantity	Sell No #
537	280,883	78,400	78,400	132,080	136
44	52,890	78,390	78,440	13	1
13	13,668	78,380	78,450	1,198	3

Related Companies - Name	Last Traded Price	Number Of Trades	Number of Traded Shares	Trades Value
IRI Marine Co.-R (KSHX1)	61,030 (5.42%)	12948	28829974	1673278613650
Reyl Pardazseir (HRLZ1)	8,250 (-3.86%)	11310	65361778	536325181089
Tidewater (TAYD1)	24,700 (-5.00%)	4554	15966437	395426839750
Toucaril Co. (TORZ1)	27,152 (-5.00%)	4004	9985801	272792975545
Khalij Fars Trans (HFRS1)	10,040 (-4.92%)	3223	19682927	199524656990
Asia Seir Aras (ASAZ1)	18,740 (-2.84%)	2532	6688171	125604734060
Tuka Trans. (HTOK1)	23,960 (-3.74%)	1941	4610200	113181624410
Rail Sair Kosar (RSKZ1)	23,807 (5.00%)	1617	5793357	137468255748
Darya bandar Co (BNDP1)	33,805 (-3.00%)	1352	2424778	82021609361
Sina Marine srv (SMBZ1)	74,030 (-2.86%)	1062	1231938	92467771535

PublishDate	FinantialPeriod	EPS Estimated EPS	Estimated PreEPS	Actual EPS	Actual PreYear EPS	Actual PrePriod EPS

Major Shareholders' Names in English

	Shareholder	Number Of Shares	Percent of Shares	Changes
Bahman Fourth Financial Intermediary Co. - Limited Liability	شرکت واسط مالی بهمن چهارم-بامسئولیت محدود	2,223,983,515	13.560	
Social Security Investment Co. - Public Joint Stock	شرکت سرمایه گذاری تامین اجتماعی-سهامی عام	1,511,325,710	9.210	
Government Trading Corporation of Iran - Tax Exempted	شرکت مادرتخصصی بازرگانی دولتی ایران معاف مالیا	950,793,998	5.790	
Civil Servants Pension Fund	صندوق بازنشستگی کشوری	701,127,579	4.270	
Government Trading Corporation of Iran - Tax Exempted B1	شرکت مادرتخصصی بازرگانی دولتی امعاف مالیات ب1	360,651,217	2.200	
Social Security Investment Co.	شرکت سرمایه گذاری تامین اجتماعی	295,216,266	1.800	
Tehran Province Investment Co.	شرکت س.اتهران س.خ.م ك م ف ع	272,394,039	1.660	
Khorasan Razavi Province Investment Co.	شرکت س.اخراسان رضوی س.خ.م ك م ف ع	219,131,994	1.330	
Fars Province Investment Co.	شرکت س.افارس س.خ.م ك م ف ع	165,130,672	1.000	

Summary

Annex 100

Memorandum and Articles of Association of Bank Sepah International PLC

The Companies Act 1985

A PUBLIC COMPANY LIMITED BY SHARES

MEMORANDUM OF ASSOCIATION

OF

BANK SEPAH INTERNATIONAL P.L.C.

1. The name of the Company is Bank Sepah International p.l.c[1].

2. The Company is to be a public company.

3. The registered office of the Company is situated in England and Wales.

4. The objects of the Company are:

4.1 to carry on the business of banking in all its aspects, including but not limited to the transaction of all financial, monetary and other business which now is or at any time during the existence of the Company may be usually or commonly carried on in any part of the world by banks, discount houses, merchant banks or financiers; and in particular (but without prejudice to the generality of the foregoing):

(a) to receive money on current or deposit account or otherwise on any terms, and to borrow, raise or take up money with or without security and to employ and use the same;

(b) to deposit, lend or advance money, securities or property, with or without security, and generally to make or negotiate loans and advances of every kind;

(c) to draw, make, accept, endorse, grant, discount, acquire, subscribe or tender for, buy, sell, issue, execute, guarantee, negotiate, transfer, hold, invest or deal in, honour, retire, pay, secure or otherwise dispose of obligations, instruments (whether transferable or negotiable or not) and securities of every kind;

(d) to grant, issue, negotiate and in any manner deal with or in letters of credit, travellers' cheques and circular notes and drafts and other forms of credits and instruments of every kind;

[1] The Company changed its name from Sepah International Limited to Bank Sepah International p.l.c. in accordance with a special resolution dated 27 November 2001.

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(e) to buy, sell and deal in bullion, specie, precious and other metals, foreign exchange and commodities (including futures) of every kind;

(f) to receive on deposit or for safe custody or otherwise documents, cash, securities and valuables of every description;

(g) to collect, hold and transmit money and securities and act as agents for the receipt or payment of money or for the receipt or delivery of securities and documents and to establish, maintain or participate in any kind of system for the transmission of funds;

(h) to issue and transact business in respect of all types of bankers' cards and debit and credit cards whether issued by the Company or by any other person or company;

(i) to act as registrars and transfer agents for any company and to maintain for any company any records and accounts which may be requisite for the purpose, and to undertake any duties in relation to the registration of transfers, the issue and deposit of certificates or other documents evidencing title to securities, or otherwise;

(j) to act as agents, brokers, advisers or consultants in relation to the investment of money, the management of property and all insurance, pension and taxation matters, and generally to transact all agency, broking, advisory or consultancy business of every kind;

4.2 to carry on the business of a holding and investment company and to acquire (whether by purchase, subscription, exchange or otherwise), take options over and hold securities of any company or companies in any part of the world, and to vary, transpose, dispose of or otherwise deal with or turn to account from time to time as may be considered expedient in any of the Company's investments for the time being;

4.3 to co-ordinate the administration, policies, management, supervision, control, research, planning, business operations and any and all activities of, and to act as financial advisers and consultants to, any company or companies or group of companies now or hereafter formed, incorporated or acquired which may be or may become associated in any way with the Company, directly or indirectly, and to perform any services or undertake any duties to or on behalf of or in any other manner assist any such company or group as aforesaid, in any such case with or without remuneration;

4.4 to undertake and execute the office of executor, administrator, attorney, judicial and custodian trustee, receiver, manager, committee, liquidator and treasurer and to establish, undertake and execute trusts of all kinds, whether private or public, including religious and charitable trusts, and generally to carry on trustee and executor business in all its aspects and on such terms as may be thought expedient and in particular, but without prejudice to the generality of the foregoing, to act as trustees for the holders of any securities of any company and as managers and trustees of unit trusts, investment trusts and pension, benevolent and other funds and to transact all kinds of business arising in connection with any of the foregoing offices and trusts, and to establish, settle and regulate and if thought fit, undertake and execute any trusts with a view to the issue of any securities, certificates or other documents based on or representing any securities or other assets appropriated for the purposes of such trust;

4.5 to promote, effect, negotiate, offer for sale by tender or otherwise, guarantee, underwrite, secure the subscription or placing of, subscribe or tender for or procure the subscription of (whether absolutely or conditionally), participate in, manage or carry out, on commission or otherwise, any issue, public or private, of the securities of any company, and to lend

money for the purposes of any such issue, and to act as dealers in securities whether as principal or agent;

4.6 to finance or assist in the financing of the acquisition, hire, lease or sale of real and personal property of every kind, and the provision of services in connection therewith, whether by way of personal loan, hire purchase, instalment finance, deferred payment or otherwise; to acquire by assignment or otherwise debts owing to any person or company and to collect such debts, and generally to act as traders, factors, carriers, merchants or in any other capacity, and to import, export, buy, sell, let on hire, charter, barter, make advances upon, pledge or otherwise deal in real and personal property of every kind;

4.7 to enter into any guarantee, bond, recognisance, contract of indemnity or suretyship and otherwise give security or become responsible for the performance of any obligation or duties by any person or company and in particular (without prejudice to the generality of the foregoing) to guarantee, support or secure, whether by personal covenant or by mortgaging or charging all or any part of the undertaking, property and assets, present and future, and uncalled capital of the Company, or by both such methods, the performance of the obligations of, and the payment of monies secured by, or payable under or in respect of the securities of, any company or person, including (but without limitation) the Company's holding company or any subsidiary of the Company or of such holding company or any company otherwise associated with the Company in business, and to give and take counter-guarantees and indemnities, and to receive security for the implementation of any obligation, and to undertake the insurance, re-insurance and counter-insurance of all kinds of risks, and generally to carry on the business of an insurance and guarantee company in all its aspects;

4.8 to raise and borrow money by any means, including the issue of debentures, loan stocks, bonds, notes and other securities, upon and subject to such terms and conditions as may be considered expedient, and to secure all or any of the Company's liabilities in respect of money raised or borrowed, or any other debt or obligation of or binding on the Company, by mortgaging or charging all or any part of the undertaking, property and assets, present and future, and uncalled capital of the Company;

4.9 to carry on the business of installing, selling, renting and providing computers, data processing and storage equipment and systems, computer bureau, programming, operating and consultancy services and communication systems of all kinds, and acquiring, leasing, hiring and disposing of electronic and mechanical equipment and machinery, and ancillary chattels and property of any kind or description;

4.10 to carry on the business of providing managerial, secretarial, accountancy, consultancy, statistical and any other supervisory, executive and advisory services of whatsoever kind or in relation to any person, company, property or business;

4.11 to act as forwarding agents, travel and shipping agents, commission agents, surveyors, architects, valuers, property consultants and managers, land and estate agents, insurance brokers and average adjusters, and generally to undertake all kinds of professional and agency business;

4.12 to sell, exchange, mortgage, let on rent, royalty, share of profit or otherwise, improve, manage, turn to account, grant licences, easements, options or other rights over and in any manner deal with or dispose of the undertaking, property and assets (including uncalled capital) of the Company or any part thereof for such consideration as may be thought fit, and in particular for securities, whether fully or partly paid up, of any other company, and to hold, deal with or dispose of such consideration;

4.13 to amalgamate or enter into partnership or any profit-sharing arrangement with and to co-operate in any way with or assist or subsidise any company, and to purchase or otherwise

acquire and undertake all or any part of the securities, business, assets and liabilities of any person or company;

4.14 to enter into any arrangement with any company which is a holding company or subsidiary of or otherwise associated with the Company and through which any part of the Company's business is or is to be conducted, for the taking of profits and bearing of losses of any business is so carried on, or for financing any such subsidiary or associated company or guaranteeing its liabilities, and to make any other arrangement which may seem expedient with reference to any business so carried on, including power at any time, and either temporarily or permanently, to discontinue any such business;

4.15 to invest any monies of the Company in such investments, securities and any other kind of property (whether real or personal) as may be thought expedient and to hold, sell or otherwise deal with such investments, securities or property;

4.16 to take or concur in taking all such steps and proceedings (including the undertaking of any obligation, monetary or otherwise) as may seem best calculated to uphold and support the credit of the Company or to obtain, maintain, restore and justify public confidence, or to avert or minimise financial disturbances which might affect the Company;

4.17 to procure the registration or incorporation of the Company in or under the laws of any place outside England and Wales;

4.18 to seek and secure, and generally to utilise and exploit, openings for the employment of capital in any part of the world, and with a view thereto to employ experts to investigate into and examine the conditions, prospects, value, character and circumstances of any business concerns and undertakings, and generally of any assets, concessions, properties and rights whether in existence or contemplation;

4.19 to enter into any arrangement with any government or authority, international, supreme, municipal, local or otherwise, and to obtain any rights, concessions and privileges from any such government or authority and to carry out, exercise and comply with any such arrangements, rights, concessions and privileges;

4.20 to take all necessary and proper steps in Parliament or with any government or authority, international, supreme, municipal, local or otherwise, for the purpose of carrying out, extending or varying the objects and powers of the Company, or altering its constitution, and to oppose any proceedings or applications which may seem calculated directly or indirectly to prejudice the Company's interests;

4.21 to subscribe, donate or guarantee money for any national, charitable, benevolent, public, general or useful object or for any exhibition or sporting activity or for any purpose which may be considered likely directly or indirectly to further the objects of the Company or the interests of its members and to subscribe or donate money to any association or fund for the protection, defence or benefit of any persons or companies carrying on businesses similar to those carried on by the Company or any of its subsidiaries;

4.22 to carry on all or any of the businesses of, and to carry out any of the operations performed (whether on the Company's account or otherwise) by traders, merchants, agents, importers, exporters, shippers, advertisers, distributors, owners, hirers, operators, letters on hire, manufacturers, and dealers, of and in goods, wares, products, stores, commodities, consumable articles, merchandise, chattels and effects of all kinds; to carry on all or any of the businesses of providing services of all kinds, and acting as consultants, advisers, specialists, financiers and capitalists; and to participate in, undertake, perform and carry out all kinds of commercial, industrial, trading and financial operations and enterprises;

4.23 to carry on the business of merchants and traders generally and to buy, sell, hire, manufacture, repair, let on hire, alter, improve, treat and deal in all apparatus, machines, materials and articles of all kinds;

4.24 to carry on any other business or activity, whether trading, manufacturing, investing or otherwise;

4.25 to purchase, take on lease or in exchange, hire or otherwise acquire, hold deal in and otherwise dispose of all or any estate or interest in or over any lands, buildings, easements, rights, privileges, concessions, patents, patent rights, licences, secret processes, machinery, plant, stock-in-trade and any real or personal property (whether tangible or intangible) of any kind;

4.26 to establish and maintain or procure the establishment and maintenance of any share option or share incentive or profit sharing schemes or trusts or any non-contributory or contributory pension or superannuation schemes or funds for the benefit of, and to make or give or procure the making or giving of loans, donations, gratuities, pensions, allowances or emoluments (whether in money or money's worth) to, or to trustees on behalf of, any persons who are or were at any time in the employment of the Company, or of any company which is a subsidiary of the Company or is allied to or associated with the Company or with any such subsidiary, or who are or were at any time directors or officers of the Company or of any such other company as aforesaid, or any persons in whose welfare the Company or any such other company as aforesaid is or has been at any time interested, and the wives, husbands, widows, widowers, families and dependants of any such persons, and to establish and subsidise or subscribe to any institutions, associations, clubs or funds calculated to be for the benefit of or to advance the interests and well-being of the Company or of any such other company as aforesaid, or of any such persons as aforesaid, and to make payments for or towards policies of assurance on the lives of any such persons and policies of insurance for the benefit of or in respect of any such persons as aforesaid (including insurance against their negligence or breach of duty to the Company) and to pay, subscribe or guarantee money to or for any charitable or benevolent objects or for any exhibition or for any political, public, general or useful object, and to do any of the above things, either alone or in conjunction with any such other company as aforesaid;

4.27 to enter into any joint venture, partnership or joint-purse arrangement or arrangement for sharing profits, union of interests or co-operation with any person, firm, or company and to subsidise or otherwise assist any person, firm or company;

4.28 to establish or promote or concur in establishing or promoting any other company and to guarantee the payment of the dividends, interest or capital of any shares, stock or other securities issued by or any other obligations of any such company;

4.29 to purchase or otherwise acquire and undertake all or any part of the business, property, assets, liabilities and transactions of any person, firm or company;

4.30 to distribute among the members in specie any property of the Company, or any proceeds of sale or disposal of any property of the Company, but so that no distribution amounting to a reduction of capital be made except with the sanction (if any) for the time being required by law;

4.31 to make known the businesses or any of them or the products or any of them of the Company or the businesses or products of any other person firm or company, in particular by advertising in the press, by circulars, by purchase and exhibition of works of art or interest, by publication in books and periodicals, and by granting prizes, rewards and donations, and by carrying on and conducting prize and competition schemes or any scheme or arrangement of any kind, either alone or in conjunction with any other person,

firm or company, whereby the said businesses or any of them may be promoted or developed, or whereby the said products may be advertised and made known;

4.32 to mortgage and charge the undertaking and all or any of the real and personal property and assets, present or future, and all or any of the uncalled capital for the time being of the Company, and to issue in cash at par or at a premium or discount, or for any other consideration, debentures, mortgage debentures or debenture stock or other similar securities, payable to bearer or otherwise, and either permanent or redeemable or repayable, and collaterally or further to secure any securities of the Company by a trust deed or other assurance;

4.33 to pay or otherwise give consideration for any property or rights acquired by the Company in any manner whatsoever and in particular but without limitation in cash or fully or partly paid-up shares, with or without preferred or deferred or guaranteed rights in respect of dividend or repayment of capital or otherwise, or by any securities which the Company has power to issue, or partly in one mode and partly in another;

4.34 to accept payment or other consideration for any property or rights sold or otherwise disposed of or dealt with by the Company in any manner whatsoever and in particular but without limitation in cash, whether by instalments or otherwise, or in fully or partly paid-up shares of any company or corporation, with or without deferred or preferred or guaranteed rights in respect of dividend or repayment of capital or otherwise, or in debentures or mortgage debentures or debenture stock, mortgages or other securities of any company or corporation, or partly in one mode and partly in another, and to hold, dispose of or otherwise deal with any shares, stock or securities so acquired;

4.35 to pay out of the funds of the Company all expenses which the Company may lawfully pay in respect of or incidental to the formation, registration and advertising of or raising money for the Company and the issue of its capital, including brokerage and commissions for obtaining applications for or taking, placing or underwriting shares, debentures or debenture stock;

4.36 to do all or any of the above things in any part of the world, and either as principals, agents, trustees, contractors or otherwise, and either alone or in conjunction with others, and either by or through agents, sub-contractors, trustees or otherwise; and

4.37 to do all such other things as are in the opinion of the Company incidental or conducive to the above objects or any of them.

5. The objects specified in each of the paragraphs of this clause shall not, except where the context expressly so requires, be in any way limited or restricted by the terms of any other paragraph and shall be construed as separate, distinct and independent objects capable of being performed and carried out separately, distinctly and independently of each other.

6. The liability of the members is limited.

7. The share capital of the Company is US$200,000,000 divided into 200,000,000 ordinary shares of US$1 each[2] [3], £5,000,000 divided into 5,000,000 ordinary shares of £1 each and €200,000,000 divided into 200,000,000 ordinary shares of €1 each[4].

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2 The Company increased its US dollar authorised share capital by US$67,000,000 to US$120,000,000 by a resolution of the Company dated 29 March 2005.

3 The Company increased its US dollar authorised share capital by US$80,000,000 to US$200,000,000 by a resolution of the Company dated 13 May 2006

4 The Company increased its Euro authorised share capital by €200,000,000 by a resolution of the Company dated 15 March 2007.

The Companies Act 1985

A PUBLIC COMPANY LIMITED BY SHARES

ARTICLES OF ASSOCIATION

OF

BANK SEPAH INTERNATIONAL P.L.C.[1]

PRELIMINARY

1. The following articles shall be the Articles of Association of the company and the regulations in Table A (which expression means that Table as prescribed by regulations made pursuant to the Companies Act 1985 and for the time being in force) are excluded and shall not apply to the company.

INTERPRETATION

2. In these Articles:

"the Act" means the Companies Act 1985 including any statutory modification or re-enactment thereof for the time being in force;

"Articles" means the articles of the company;

"clear days" in relation to the period of a notice means that period excluding the day when the notice is given or deemed to be given and the day for which it is given or on which it is to take effect;

"executed" includes any mode of execution;

"office" means the registered office of the company;

"holder" in relation to shares means the member whose name is entered in the register of members as the holder of the shares;

"seal" means the common seal of the company;

"secretary" means the secretary of the company or any other person appointed to perform the duties of the secretary of the company, including a joint, assistant or deputy secretary;

"the United Kingdom" means Great Britain and Northern Ireland.

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[1] The Company changed its name from Sepah International Limited to Bank Sepah International p.l.c. in accordance with a special resolution dated 27 November 2001.

Unless the context otherwise requires, words or expressions contained in these Articles bear the same meaning as in the Act but excluding any statutory modification thereof not in force when these Articles become binding on the company.

SHARE CAPITAL AND VARIATION OF RIGHTS

3. The share capital of the company is €200,000,000 divided into 200,000,000 ordinary shares of €1 each, US$200,000,000 divided into 200,000,000 ordinary shares of US$1 each and £5,000,000 divided into 5,000,000 ordinary shares of £1 each.

4. Each ordinary share will carry the rights and restrictions set out in these Articles and they shall each rank pari passu in all respects in accordance with the number of ordinary shares in issue from time to time.

5. (a) The directors shall not without the authority of the company in general meeting (or, where the company is a private company at the time of such authorisation, a written resolution of the members) allot any of the shares in the capital of the company.

   (b) Where authority has been given to the directors to allot shares in the capital of the company, the directors may, subject to the terms of such authority and subject to any terms on which any shares are created or issued, allot such shares to such persons (including any directors) at such times and generally on such conditions as they think proper provided that no shares shall be issued at a discount contrary to the Act. In the foregoing sentences of this Article, references to allotment of shares shall include references to the grant of any right to subscribe for, or to convert any security into, shares. Where authority has been given to the directors as referred to in this Article to grant a right to subscribe for, or to convert any security into, shares the directors may without further authority allot such shares as may require to be allotted pursuant to the exercise of such right.

6. Where the directors of the company are generally authorised to allot shares in the capital of the company, they may allot such shares pursuant to that authority as if section 89(1)(a) of the Act did not apply to the allotment.

7. Subject to the provisions of the Act and without prejudice to any rights attached to any existing shares, any share may be issued with such rights or restrictions as the company may by ordinary resolution determine.

8. The rights attached to any existing shares shall not (unless otherwise expressly provided by the terms of issue of such shares) be deemed to be varied by the creation or issue of further shares ranking pari passu therewith or subsequent thereto.

9. Subject to the provisions of the Act, shares may be issued which are to be redeemed or are to be liable to be redeemed at the option of the company or the holder on such terms and in such manner as may be provided by these Articles.

10. The company may exercise the powers of paying commissions conferred by the Act. Subject to the provisions of the Act, any such commission may be satisfied by the payment of cash or by the allotment of fully or partly paid shares or partly in one way and partly in the other.

11. Except as required by law, no person shall be recognised by the company as holding any share upon any trust and (except as otherwise provided by these Articles or by law) the company shall not be bound by or recognise any interest in any share except an absolute right to the entirety thereof in the holder.

SHARE CERTIFICATES

12. Every member, upon becoming the holder of any shares, shall be entitled without payment to one certificate for all the shares of each class held by him (and, upon transferring a part of his holding of shares of any class, to a certificate for the balance of such holding) or several certificates each for one or more of his shares upon payment for every certificate after the first of such reasonable sum as the directors may determine. Every certificate shall be sealed with the seal or the official seal of the company, if the company has a seal, or otherwise executed in such manner as may be permitted by the Act and shall specify the number, class and distinguishing numbers (if any) of the shares to which it relates and the amount or respective amounts paid up thereon. The company shall not be bound to issue more than one certificate for shares held jointly by several persons and delivery of a certificate to one joint holder shall be a sufficient delivery to all of them.

13. If a share certificate is defaced, worn-out, lost or destroyed, it may be renewed on such terms (if any) as to evidence and indemnity and payment of the expenses reasonably incurred by the company in investigating evidence as the directors may determine but otherwise free of charge, and (in the case of defacement or wearing-out) on delivery up of the old certificate.

LIEN

14. The company shall have a first and paramount lien on all the shares registered in the name of any member (whether solely or jointly with others) for all moneys due to the company from him or his estate, whether solely or jointly with any other person (whether a member or not) and whether such moneys are presently payable or not. The company's lien on a share shall extend to all dividends or other moneys payable thereon or in respect thereof. The directors may at any time resolve that any share shall be exempt, wholly or partly, from the provisions of this Article.

15. The company may sell in such manner as the directors determine any shares on which the company has a lien if a sum in respect of which the lien exists is presently payable and is not paid within fourteen clear days after notice has been given to the holder of the share or to the person entitled to it in consequence of the death or bankruptcy of the holder, demanding payment and stating that if the notice is not complied with the shares may be sold.

16. To give effect to a sale the directors may authorise some person to execute an instrument of transfer of the shares sold to, or in accordance with the directions of, the purchaser. The title of the transferee to the shares shall not be affected by any irregularity in or invalidity of the proceedings in reference to the sale.

17. The net proceeds of the sale, after payment of the costs, shall be applied in payment of so much of the sum for which the lien exists as is presently payable, and any residue shall (upon surrender to the company for cancellation of the certificate for the shares sold and subject to a like lien for any moneys not presently payable as existed upon the shares before the sale) be paid to the person entitled to the shares at the date of the sale.

CALLS ON SHARES AND FORFEITURE

18. Subject to the terms of allotment, the directors may make calls upon the members in respect of any moneys unpaid on their shares (whether in respect of nominal value or premium) and each member shall (subject to receiving at least fourteen clear days' notice specifying when and where payment is to be made) pay to the company as required by the notice the amount called on his shares. A call may be required to be paid by instalments. A call may, before receipt by the company of any sum due thereunder, be

revoked in whole or part and payment of a call may be postponed in whole or part. A person upon whom a call is made shall remain liable for calls made upon him notwithstanding the subsequent transfer of the shares in respect whereof the call was made.

19. A call shall be deemed to have been made at the time when the resolution of the directors authorising the call was passed.

20. The joint holders of a share shall be jointly and severally liable to pay all calls in respect thereof.

21. The directors may accept from any member the whole or any part of the amount remaining unpaid on any share held by him notwithstanding that no part of that amount has been called up.

22. If a call remains unpaid after it has become due and payable the person from whom it is due and payable shall pay interest on the amount unpaid from the day it became due and payable until it is paid at the rate fixed by the terms of allotment of the share or in the notice of the call or, if no rate is fixed, at the appropriate rate (as defined by the Act) but the directors may waive payment of the interest wholly or in part.

23. An amount payable in respect of a share on allotment or at any fixed date, whether in respect of nominal value or premium or as an instalment of a call, shall be deemed to be a call and if it is not paid the provisions of these Articles shall apply as if that amount had become due and payable by virtue of a call.

24. Subject to the terms of allotment, the directors may make arrangements on the issue of shares for a difference between the holders in the amounts and times of payment of calls on their shares.

25. If a call remains unpaid after it has become due and payable the directors may give to the person from whom it is due not less than fourteen clear days' notice requiring payment of the amount unpaid together with any interest which may have accrued. The notice shall name the place where payment is to be made and shall state that if the notice is not complied with the shares in respect of which the call was made will be liable to be forfeited.

26. If the notice is not complied with any share in respect of which it was given may, before the payment required by the notice has been made, be forfeited by a resolution of the directors and the forfeiture shall include all dividends or other moneys payable in respect of the forfeited shares and not paid before the forfeiture.

27. Subject to the provisions of the Act, a forfeited share may be sold, re-allotted or otherwise disposed of on such terms and in such manner as the directors determine either to the person who was before the forfeiture the holder or to any other person and at any time before sale, re-allotment or other disposition, the forfeiture may be cancelled on such terms as the directors think fit. Where for the purposes of its disposal a forfeited share is to be transferred to any person the directors may authorise some person to execute an instrument of transfer of the share to that person.

28. A person any of whose shares have been forfeited shall cease to be a member in respect of them and shall surrender to the company for cancellation the certificate for the shares forfeited but shall remain liable to the company for all moneys which at the date of forfeiture were presently payable by him to the company in respect of those shares with interest at the rate at which interest was payable on those moneys before the forfeiture or, if no interest was so payable, at the appropriate rate (as defined in the Act) from the date of forfeiture until payment but the directors may waive payment wholly or in part or

enforce payment without any allowance for the value of the shares at the time of forfeiture or for any consideration received on their disposal.

29. A statutory declaration by a director or the secretary that a share has been forfeited on a specified date shall be conclusive evidence of the facts stated in it as against all persons claiming to be entitled to the share and the declaration shall (subject to the execution of an instrument of transfer if necessary) constitute a good title to the share and the person to whom the share is disposed of shall not be bound to see to the application of the consideration, if any, nor shall his title to the share be affected by any irregularity in or invalidity of the proceedings in reference to the forfeiture or disposal of the share.

TRANSFER OF SHARES

30. The instrument of transfer of a share may be in any usual form or in any other form which the directors may approve and shall be executed by or on behalf of the transferor and, unless the share is fully paid, by or on behalf of the transferee.

31. No transfer of any share may be registered without the approval of a member or members holding a majority in nominal value of the issued shares for the time being conferring the right to vote at general meetings of the company, and the directors shall be bound to approve a transfer which has such approval.

32. If the directors refuse to register a transfer of a share, they shall within two months after the date on which the transfer was lodged with the company send to the transferee notice of the refusal.

33. The registration of transfers of shares or of transfers of any class of shares may be suspended at such times and for such periods (not exceeding thirty days in any year) as the directors may determine.

34. No fee shall be charged for the registration of any instrument of transfer or other document relating to or affecting the title to any share.

35. The company shall be entitled to retain any instrument of transfer which is registered, but any instrument of transfer which the directors refuse to register shall be returned to the person lodging it when notice of the refusal is given.

TRANSMISSION OF SHARES

36. If a member dies the survivor or survivors where he was a joint holder, and his personal representatives where he was a sole holder or the only survivor of joint holders, shall be the only persons recognised by the company as having any title to his interest; but nothing herein contained shall release the estate of a deceased member from any liability in respect of any share which had been jointly held by him.

37. A person becoming entitled to a share in consequence of the death or bankruptcy of a member may, upon such evidence being produced as the directors may properly require, elect either to become the holder of the share or to have some person nominated by him registered as the transferee. If he elects to become the holder he shall give notice to the company to that effect. If he elects to have another person registered he shall execute an instrument of transfer of the share to that person. All of these Articles relating to the transfer of shares shall apply to the notice or instrument of transfer as if it were an instrument of transfer executed by the member and the death or bankruptcy of the member had not occurred.

38. A person becoming entitled to a share in consequence of the death or bankruptcy of a member shall have the rights to which he would be entitled if he were the holder of the share, except that he shall not, before being registered as the holder of the share, be

entitled in respect of it to attend or vote at any meeting of the company or at any separate meeting of the holders of any class of shares in the company, provided always that the directors may at any time give notice requiring any such person to elect either to become or to have another person registered as the holder of the share and if the requirements of the notice are not complied with within ninety days the directors may thereafter withhold payment of all dividends, bonuses or other moneys payable in respect of the share until the requirements of the notice have been complied with.

ALTERATION OF SHARE CAPITAL

39. The company may by ordinary resolution:

(a) increase its share capital by new shares of such amount as the resolution prescribes;

(b) consolidate and divide all or any of its share capital into shares of larger amount than its existing shares;

(c) subject to the provisions of the Act, sub-divide its shares, or any of them, into shares of smaller amount and the resolution may determine that, as between the shares resulting from the sub-division, any of them may have any preference or advantage as compared with the others; and

(d) cancel shares which, at the date of the passing of the resolution, have not been taken or agreed to be taken by any person and diminish the amount of its share capital by the amount of the shares so cancelled.

40. Whenever as a result of a consolidation of shares any members would become entitled to fractions of a share, the directors may, on behalf of those members, sell the shares representing the fractions for the best price reasonably obtainable to any person (including, subject to the provisions of the Act, the company) and distribute the net proceeds of sale in due proportion among those members, and the directors may authorise some person to execute an instrument of transfer of the shares to, or in accordance with the directions of, the purchaser. The transferee shall not be bound to see to the application of the purchase money nor shall his title to the shares be affected by any irregularity in or invalidity of the proceedings in reference to the sale.

41. Subject to the provisions of the Act, the company may by special resolution reduce its share capital, any capital redemption reserve and any share premium account in any way.

PURCHASE OF OWN SHARES

42. Subject to the provisions of the Act, the company may purchase its own shares (including any redeemable shares) and, if it is a private company, make a payment in respect of the redemption or purchase of its own shares otherwise than out of distributable profits of the company or the proceeds of a fresh issue of shares.

GENERAL MEETINGS

43. All general meetings other than annual general meetings shall be called extraordinary general meetings.

44. The directors may call general meetings and, on the requisition of members pursuant to the provisions of the Act, shall forthwith proceed to convene an extraordinary general meeting for a date not later than eight weeks after receipt of the requisition. If there are not within the United Kingdom sufficient directors to call a general meeting, any director or any member of the company may call a general meeting.

NOTICE OF GENERAL MEETINGS

45. An annual general meeting and an extraordinary general meeting called for the passing of a special resolution or a resolution appointing a person as a director shall be called by at least twenty-one clear days' notice. All other extraordinary general meetings shall be called by at least fourteen clear days' notice but a general meeting may be called by shorter notice if it is so agreed:

(a) in the case of an annual general meeting, by all the members entitled to attend and vote thereat; and

(b) in the case of any other meeting by a majority in number of the members having a right to attend and vote being a majority together holding not less than ninety-five per cent. in nominal value of the shares giving that right (or such lesser percentage as may be permitted by the Act and agreed by the members).

The notice shall specify the time and place of the meeting and the general nature of the business to be transacted and, in the case of an annual general meeting, shall specify the meeting as such.

Subject to the provisions of these Articles and to any restrictions imposed on any shares, the notice shall be given to all the members, to all persons entitled to a share in consequence of the death or bankruptcy of a member and to the directors and auditors.

46. The accidental omission to give notice of a meeting to, or the non-receipt of notice of a meeting by, any person entitled to receive notice shall not invalidate the proceedings at that meeting.

PROCEEDINGS AT GENERAL MEETINGS

47. No business shall be transacted at any meeting unless a quorum is present. Two persons entitled to vote upon the business to be transacted, each being a member or a proxy for a member or a duly authorised representative of a member (being a corporation) shall be a quorum.

48. If such a quorum is not present within half an hour from the time appointed for the meeting, or if during a meeting such a quorum ceases to be present, the meeting shall stand adjourned to the same day in the next week at the same time and place or to such time and place as the directors may determine and if at the adjourned meeting such a quorum is not present within half an hour from the time appointed for the meeting, one member present in person or by proxy or (being a corporation) by its duly authorised representative shall be a quorum.

49. The chairman, if any, of the board of directors or in his absence some other director nominated by the directors shall preside as chairman of the meeting, but if neither the chairman nor such other director (if any) be present within fifteen minutes after the time appointed for holding the meeting and willing to act, the directors present shall elect one of their number to be chairman and, if there is only one director present and willing to act, he shall be chairman.

50. If no director is willing to act as chairman, or if no director is present within fifteen minutes after the time appointed for holding the meeting, the members present and entitled to vote shall choose one of their number to be chairman.

51. A director shall, notwithstanding that he is not a member, be entitled to attend and speak at any general meeting and at any separate meeting of the holders of any class of shares in the company.

52. The chairman may, with the consent of a meeting at which a quorum is present (and shall if so directed by the meeting), adjourn the meeting from time to time and from place to place, but no business shall be transacted at an adjourned meeting other than business which might properly have been transacted at the meeting had the adjournment not taken place. When a meeting is adjourned for fourteen days or more, at least seven clear days' notice shall be given specifying the time and place of the adjourned meeting and the general nature of the business to be transacted. Otherwise it shall not be necessary to give any such notice.

53. A resolution put to the vote of a meeting shall be decided on a show of hands unless before, or on the declaration of the result of, the show of hands a poll is duly demanded. Subject to the provisions of the Act, a poll may be demanded:

(a) by the chairman; or

(b) by any member present in person or by proxy or (being a corporation) by its duly authorised representative,

and a demand by a person as proxy for a member shall be the same as a demand by the member.

54. Unless a poll is duly demanded a declaration by the chairman that a resolution has been carried or carried unanimously, or by a particular majority, or lost, or not carried by a particular majority and an entry to that effect in the minutes of the meeting shall be conclusive evidence of the fact without proof of the number or proportion of the votes recorded in favour of or against the resolution.

55. The demand for a poll may, before the poll is taken, be withdrawn but only with the consent of the chairman and a demand so withdrawn shall not be taken to have invalidated the result of a show of hands declared before the demand was made.

56. A poll shall be taken as the chairman directs and he may appoint scrutineers (who need not be members) and fix a time and place for declaring the result of the poll. The result of the poll shall be deemed to be the resolution of the meeting at which the poll was demanded.

57. In the case of an equality of votes, whether on a show of hands or on a poll, the chairman shall be entitled to a casting vote in addition to any other vote he may have.

58. A poll demanded on the election of a chairman or on a question of adjournment shall be taken forthwith. A poll demanded on any other question shall be taken either forthwith or at such time and place as the chairman directs not being more than thirty days after the poll is demanded. The demand for a poll shall not prevent the continuance of a meeting for the transaction of any business other than the question on which the poll was demanded. If a poll is demanded before the declaration of the result of a show of hands and the demand is duly withdrawn, the meeting shall continue as if the demand had not been made.

59. No notice need be given of a poll not taken forthwith if the time and place at which it is to be taken are announced at the meeting at which it is demanded. In any other case at least seven clear days' notice shall be given specifying the time and place at which the poll is to be taken.

60. A resolution in writing of all the members who would have been entitled to vote upon it if it had been proposed at a general meeting at which they were present shall be as effectual as if it had been passed at a general meeting duly convened and held either:

(a) if it consists of an instrument executed by or on behalf of each such member; or

(b) if it consists of several instruments in the like form each either:

(i) executed by or on behalf of one or more of such members; or

(ii) sent by or on behalf of one or more of such members by telex or facsimile transmission and deposited or received at the office or received by the secretary.

VOTES OF MEMBERS

61. Subject to any rights or restrictions as to voting attached to any shares by the terms on which they were issued or by or in accordance with these Articles or otherwise, on a show of hands every member who (being an individual) is present in person or (being a corporation) is present by its duly authorised representative not being himself a member entitled to vote, shall have one vote, and on a poll every member who is present in person or by proxy or (being a corporation) is present by its duly authorised representative shall have one vote for every share of which he is the holder.

62. In the case of joint holders the vote of the senior who tenders a vote, whether in person or by proxy, shall be accepted to the exclusion of the votes of the other joint holders; and seniority shall be determined by the order in which the names of the holders stand in the register of members.

63. A member in respect of whom an order has been made by any court having jurisdiction (whether in the United Kingdom or elsewhere) in matters concerning mental disorder may vote, whether on a show of hands or on a poll, by his receiver, curator bonis or other person authorised in that behalf appointed by that court, and any such receiver, curator bonis or other person may, on a poll, vote by proxy. Evidence to the satisfaction of the directors of the authority of the person claiming to exercise the right to vote shall be deposited at the office, or at such other place as is specified in accordance with these Articles for the deposit of instruments of proxy, not less than 48 hours before the time appointed for holding the meeting or adjourned meeting at which the right to vote is to be exercised and in default the right to vote shall not be exercisable.

64. No member shall vote at any general meeting or at any separate meeting of the holders of any class of shares in the company, either in person or by proxy, in respect of any share held by him unless all moneys presently payable by him in respect of that share have been paid.

65. No objection shall be raised to the qualification of any voter except at the meeting or adjourned meeting at which the vote objected to is tendered, and every vote not disallowed at the meeting shall be valid. Any objection made in due time shall be referred to the chairman whose decision shall be final and conclusive.

66. On a poll votes may be given either personally or by proxy. A member may appoint more than one proxy to attend on the same occasion.

67. The instrument appointing a proxy shall be in writing in any usual or common form and shall (except in the case of an appointment by telex or a facsimile transmission of an appointment otherwise complying with the requirements of this Article) be executed by the appointor or his attorney duly authorised in writing or in such other form as the directors may approve. A proxy need not be a member of the company.

68. The instrument appointing a proxy and the power of attorney or other authority (if any) under which it is executed, or a notarially certified copy of such power or authority, shall be deposited or received at the office (or at such other place in the United Kingdom as is specified for that purpose in any instrument of proxy sent by the company in relation to the meeting) not less than forty-eight hours before the time for holding the meeting or

adjourned meeting at which the person named in the instrument proposes to vote, or handed to the chairman of the meeting or adjourned meeting, and, in default, the instrument of proxy shall be invalid.

69. A vote given or poll demanded by proxy or by the duly authorised representative of a corporation shall be valid notwithstanding the previous determination of the authority of the person voting or demanding a poll unless notice of the determination was received by the company at the office or at such other place at which the instrument of proxy was duly deposited before the commencement of the meeting or adjourned meeting at which the vote is given or the poll demanded or (in the case of a poll taken otherwise than on the same day as the meeting or adjourned meeting) the time appointed for taking the poll.

NUMBER OF DIRECTORS

70. Unless and until otherwise decided by the Company by ordinary resolution, the number of Directors may not be less than six and shall not be subject to any maximum.

ALTERNATE DIRECTORS

71. A director may by written notice signed by him (except in the case of an appointment by telex or a facsimile transmission of an appointment otherwise complying with the requirements of this Article) and deposited or received at the office or received by the secretary or in such other manner as the directors may approve appoint another director or any other person to be and act as his alternate director.

72. Every alternate director shall (subject to his giving to the company an address within the United Kingdom at which notices may be given to him) be entitled to notice of meetings of the directors or of committees of directors, and to attend and vote as a director at any such meeting at which the director appointing him is entitled to attend and vote but is not personally present and generally at such meeting to exercise all the powers, rights, duties and authorities of the director appointing him. Every alternate director shall also be entitled to sign or, in the case of a telex or facsimile transmission, send on behalf of the director appointing him a resolution in writing of the directors pursuant to Article 92.

73. An alternate director shall be neither an officer of the company nor entitled to any remuneration from the company for acting as an alternate director.

74. A director may by written notice signed by him or sent by him by telex or facsimile transmission and deposited or received at the office or received by the secretary or in such other manner as the directors may approve at any time revoke the appointment of an alternate director appointed by him.

75. If a director shall cease to hold the office of director for any reason, the appointment of his alternate director shall thereupon automatically cease.

POWERS OF DIRECTORS

76. Subject to the provisions of the Act, the memorandum and these Articles and to any directions given by special resolution, the business of the company shall be managed by the directors who may exercise all the powers of the company. No alteration of the memorandum or these Articles and no such direction shall invalidate any prior act of the directors which would have been valid if that alteration had not been made or that direction had not been given. The powers given by this Article shall not be limited by any special power given to the directors by these Articles and a meeting of directors at which a quorum is present may exercise all powers exercisable by the directors.

77. The directors may, by power of attorney or otherwise, appoint any person to be the agent of the company for such purposes and on such conditions as they determine, including authority for the agent to delegate all or any of his powers.

DELEGATION OF DIRECTORS' POWERS

78. The directors may delegate any of their powers to any committee consisting of one or more directors and may also appoint to any such committee persons who are not directors. They may also delegate to any managing director or any director holding any other executive office such of their powers as they consider desirable to be exercised by him. Any such delegation may be made subject to any conditions the directors may impose, and either collaterally with or to the exclusion of their own powers and may be revoked or altered. Subject to any such conditions, the proceedings of a committee with two or more members shall be governed by those of these Articles regulating the proceedings of directors so far as they are capable of applying unless the board of directors determine otherwise.

RETIREMENT, APPOINTMENT AND REMOVAL OF DIRECTORS

79. The Board may from time to time appoint a director to fill a casual vacancy or as an additional director. Subject to these Articles, a director so appointed holds office until the next annual general meeting and then is eligible for re-appointment. Any such appointment shall be effected by an instrument which shall be in writing and shall (except in the case of an appointment or removal by telex or a facsimile copy of an appointment or removal otherwise complying with the requirements of this Article) be executed by the Board making the same or by their duly authorised attorneys or in such other manner as the directors may approve, and shall take effect upon such appointment or removal being deposited or received at the office or otherwise communicated to the company at the office or being handed or otherwise communicated to the chairman of a meeting of the directors at which a quorum is present.

80. Without prejudice to Article 79, a member or members holding a majority in nominal value of the issued shares for the time being conferring the right to vote at general meetings of the company shall have power from time to time and at any time to appoint any person or persons as a director or directors and to remove from office any director howsoever appointed. Any such appointment or removal shall be effected by an instrument which shall be in writing and shall (except in the case of an appointment or removal by telex or a facsimile transmission of an appointment or removal otherwise complying with the requirements of this Article) be executed by the member or members making the same or by their duly authorised attorneys or in such other manner as the directors may approve, and shall take effect upon such appointment or removal being deposited or received at the office or otherwise communicated to the company at the office or being handed or otherwise communicated to the chairman of a meeting of the directors at which a quorum is present.

DISQUALIFICATION AND REMOVAL OF DIRECTORS

81. The office of a director shall be vacated if:

(a) he ceases to be a director by virtue of any provision of the Act or he becomes prohibited by law from being a director; or

(b) he becomes bankrupt or makes any arrangement or composition with his creditors generally; or

(c) he is, or may be, suffering from mental disorder and either:

(i) he is admitted to hospital in pursuance of an application for admission for treatment under the Mental Health Act 1983 or, in Scotland, an application for admission under the Mental Health (Scotland) Act 1984; or

(ii) an order is made by a court having jurisdiction (whether in the United Kingdom or elsewhere) in matters concerning mental disorder for his detention or for the appointment of a receiver, curator bonis or other person to exercise powers with respect to his property or affairs; or

(d) he resigns his office by notice to the company, provided that such action shall be without prejudice to the terms of and to any rights of the company under any contract between the director and the company.

REMUNERATION OF DIRECTORS

82. The directors shall be entitled to such remuneration as the company may by ordinary resolution determine and, unless the resolution provides otherwise, the remuneration shall be deemed to accrue from day to day. Any director who serves on any committee, or who devotes special attention to the business of the company, or who otherwise performs services which in the opinion of the directors are in addition to or outside the scope of the ordinary duties of a director (which services shall include, without limitation, visiting or residing abroad in connection with the company's affairs), may be paid such extra remuneration by way of salary, percentage of profits or otherwise as the directors may determine.

DIRECTORS' EXPENSES

83. The directors may be paid all travelling, hotel, and other expenses properly incurred by them in connection with their attendance at meetings of directors or committees of directors or general meetings or separate meetings of the holders of any class of shares or of debentures of the company or otherwise in connection with the discharge of their duties.

DIRECTORS' APPOINTMENTS AND INTERESTS

84. Subject to the provisions of the Act, the directors may appoint one or more of their number to the office of managing director or to any other executive office under the company and may enter into an agreement or arrangement with any director for his employment by the company or for the provision by him of any services outside the scope of the ordinary duties of a director. Any such appointment, agreement or arrangement may be made upon such terms as the directors determine and they may remunerate any such director for his services as they think fit. Any appointment of a director to an executive office shall terminate if he ceases to be a director but without prejudice to any claim to damages for breach of the contract of service between the director and the company. A managing director and a director holding any other executive office shall be subject to the same provisions as to resignation and removal as other directors of the company.

85. Subject to the provisions of the Act, and provided that he has disclosed to the directors the nature and extent of any material interest of his, a director notwithstanding his office:

(a) may be a party to, or otherwise interested in, any transaction or arrangement with the company or in which the company is otherwise interested;

(b) may be a director or other officer of, or employed by, or a party to any transaction or arrangement with, or otherwise interested in, any body corporate promoted by the company or in which the company is otherwise interested; and

(c) shall not, by reason of his office, be accountable to the company for any benefit which he derives from any such office or employment or from any such transaction or arrangement or from any interest in any such body corporate and

no such transaction or arrangement shall be liable to be avoided on the ground of any such interest or benefit.

86. For the purposes of Article 85:

(a) a general notice given to the directors that a director is to be regarded as having an interest of the nature and extent specified in the notice in any transaction or arrangement in which a specified person or class of persons is interested shall be deemed to be a disclosure that the director has an interest in any such transaction of the nature and extent so specified; and

(b) an interest of which a director has no knowledge and of which it is unreasonable to expect him to have knowledge shall not be treated as an interest of his.

DIRECTORS' AND EMPLOYEES' GRATUITIES AND PENSIONS

87. The directors may:

(a) establish and maintain, or procure the establishment and maintenance of, any share option or share incentive or profit sharing schemes or trusts or any non-contributory or contributory pension or superannuation schemes or funds for the benefit of, and may make or give or procure the making or giving of loans, donations, gratuities, pensions, allowances or emoluments (whether in money or money's-worth) to, or to trustees on behalf of, any persons who are or were at any time in the employment or service of the company, or of any company which is a subsidiary of the company, or is allied to or associated with the company or with any such subsidiary, or who are or were at any time directors or officers of the company or of any such other company as aforesaid, and to the wives, husbands, widows, widowers, families and dependants of any such persons;

(b) establish and subsidise or subscribe to any institutions, associations, clubs or funds calculated to be for the benefit of, or to advance the interests and well-being of the company, or of any such other company as aforesaid, or of any such persons as aforesaid;

(c) make payments for or towards policies of assurance on the lives of any such persons and policies of insurance for the benefit of or in respect of any such persons (including insurance against their negligence or breach of duty to the company) as aforesaid;

(d) pay, subscribe or guarantee money to or for any charitable or benevolent objects, or for any exhibition, or for any political, public, general or useful object; and

(e) do any of the above things either alone or in conjunction with any such other company as aforesaid.

Subject always, if the Act shall so require, to particulars with respect to the proposed payment being disclosed to the members of the company and to the payment being approved by the company, any director shall be entitled to participate in and retain for his own benefit any such loan, donation, gratuity, pension, allowance or emolument.

PROCEEDINGS OF DIRECTORS

88. Subject to the provisions of these Articles, the directors may regulate their proceedings as they think fit. A director may, and the secretary at the request of a director shall, call a meeting of the directors. Every director shall be given not less than 48 hours notice of every meeting of the directors, such notice to be sent to such address as is notified by him to the company for this purpose or otherwise communicated to him personally. Any

director may by notice to the company either before or after the meeting waive his right to receive notice of the meeting and any director who either:

(a) is present at the commencement of a meeting whether personally or by his alternate director; or

(b) does not, within 7 days following its coming to his attention that a meeting has taken place without prior notice of such meeting having been given to him pursuant to this Article, notify the company that he desires the proceedings at such meeting to be regarded as a nullity,

shall be deemed hereafter to have waived his right to receive notice of such meeting pursuant to this Article. Questions arising at a meeting shall be decided by a majority of votes. A director who is also an alternate director shall be entitled in the absence of his appointor to a separate vote on behalf of his appointor in addition to his own vote.

89. (a) The quorum for the transaction of the business of the directors may be fixed by the directors and unless so fixed at any other number shall be three. A person attending a meeting of the board of directors, who is acting as an alternate director for one or more directors shall be counted as one for each of the directors for whom he is so acting and, if he is a director, shall also be counted as a director, but not less than two individuals constitute a quorum.

(b) A meeting of the board of directors may consist of a conference between directors some or all of whom are in different places if each director who participates is able:

(i) to hear each of the other participating directors addressing the meeting; and

(ii) if the director so wishes, to address all of the other participating directors simultaneously,

(a) whether directly, by conference telephone or any other form of communications equipment (whether in use when these Articles are adopted or developed subsequently) or by a combination of these methods. Each director so participating in a meeting is deemed to be "present" at that meeting for the purpose of these Articles. A quorum is deemed to be present if those conditions are satisfied in respect of at least the number of directors required to form a quorum. A meeting held in this way is deemed to take place at the place where the largest group of participating directors is assembled or, if no such group is readily identifiable, at the place from where the chairman of the meeting participates.

(c) The continuing directors or a sole continuing director may act notwithstanding any vacancies in their number, but, if the number of directors is less than the number fixed as the quorum, the continuing directors or director may act only for the purpose of filling vacancies or of calling a general meeting.

90. The directors may appoint one of their number to be the chairman of the board of directors and may at any time remove him from that office. Unless he is unwilling to do so, the director so appointed shall preside at every meeting of directors at which he is present. But if there is no director holding that office, or if the director holding it is unwilling to preside or is not present within five minutes after the time appointed for the meeting, the directors present may appoint one of their number to be chairman of the meeting.

91. All acts done by a meeting of directors, or of a committee of directors, or by a person acting as a director shall, notwithstanding that it be afterwards discovered that there was a defect in the appointment of any director or that any of them were disqualified from holding office, or had vacated office, or were not entitled to vote, be as valid as if every such person had been duly appointed and was qualified and had continued to be a director and had been entitled to vote.

92. A resolution in writing of all the directors or all the members of a committee of directors shall be as effectual as if it had been passed at a meeting of directors or (as the case may be) a committee of directors duly convened and held either:

(a) if it consists of an instrument executed by or on behalf of each such director or committee member; or

(b) if its consists of several instruments in the like form each either:

(i) executed by or on behalf of one or more of such directors or committee members; or

(ii) sent by or on behalf of one or more of such directors or committee members by telex or facsimile transmission and deposited or received at the office or received by the secretary.

93. Save as otherwise provided by these Articles, a director shall not vote at a meeting of directors or of a committee of directors on any resolution concerning a matter in which he has, directly or indirectly, an interest or duty which is material and which conflicts or may conflict with the interests of the company unless his interest or duty arises only because the case falls within one or more of the following paragraphs:

(a) the resolution relates to the giving to him of a guarantee, security, or indemnity in respect of money lent to, or an obligation incurred by him for the benefit of, the company or any of its subsidiaries;

(b) the resolution relates to the giving to a third party of a guarantee, security, or indemnity in respect of an obligation of the company or any of its subsidiaries for which the director has assumed responsibility in whole or part and whether alone or jointly with others under a guarantee or indemnity or by the giving of security;

(c) his interest arises by virtue of his subscribing or agreeing to subscribe for any shares, debentures or other securities of the company or any of its subsidiaries, or by virtue of his being, or intending to become, a participant in the underwriting or sub-underwriting of an offer of any such shares, debentures, or other securities by the company or any of its subsidiaries for subscription, purchase or exchange;

(d) the resolution relates in any way to a retirement benefits scheme which has been approved, or is conditional upon approval, by the Board of Inland Revenue for taxation purposes.

94. Subject to any requisite declaration of interest in accordance with the provisions of the Act and (if applicable) Article 85 having been made by him a director may vote as a director in regard to any transaction or arrangement in which he is interested, or upon any matter arising therefrom and Article 93 is subject to this provision.

95. For the purposes of Articles 93 and 94, an interest of a person who is, for any purpose of the Act (excluding any statutory modification thereof not in force when this Article becomes binding on the company), connected with a director shall be treated as an interest of the director and, in relation to an alternate director, an interest of his appointor

shall be treated as an interest of the alternate director without prejudice to any interest which the alternate director has otherwise.

96. A director shall not be counted in the quorum present at a meeting in relation to a resolution on which he is not entitled to vote.

97. The company may by ordinary resolution suspend or relax to any extent, either generally or in respect of any particular matter, any provision of these Articles prohibiting a director from voting at a meeting of directors or of a committee of directors.

98. Where proposals are under consideration concerning the appointment or the terms of appointment of two or more directors to offices or employments with the company or any body corporate in which the company is interested the proposals may be divided and considered in relation to each director separately and (provided he is not for another reason precluded from voting) each of the directors concerned shall be entitled to vote in respect of each resolution except that concerning his own appointment and shall be counted in the quorum in respect of each resolution including that concerning his own appointment and Article 85 shall be construed subject to this provision.

99. If a question arises at a meeting of directors or of a committee of directors as to the right of a director to vote, the question may, before the conclusion of the meeting, be referred to the chairman of the meeting and his ruling in relation to any director other than himself shall be final and conclusive.

SECRETARY

100. Subject to the provisions of the Act, the secretary shall be appointed by the directors for such term, at such remuneration and upon such conditions as they may think fit; and any secretary so appointed may be removed by them.

MINUTES

101. The directors shall cause minutes to be made in books kept for the purpose:

(a) of all appointments of officers and alternate directors made by the directors; and

(b) of all proceedings at meetings of the company, of the holders of any class of shares in the company, of the directors, and of committees of directors, including the names of the persons present at each such meeting.

THE SEAL

102. The company need not have a seal but if the company does have a seal, the seal shall be used only by the authority of the directors or of a committee of directors authorised by the directors. The directors may determine who shall sign any instrument to which the seal is affixed and unless otherwise so determined it shall be signed by a director and by the secretary or by a second director.

103. The company is authorised pursuant to section 39 of the Act for so long as its objects require or comprise the transaction of business in foreign countries to have an official seal for use in any territory, district, or place elsewhere than in the United Kingdom.

DIVIDENDS

104. Subject to the provisions of the Act, the company may by ordinary resolution declare dividends in accordance with the respective rights of the members, but no dividend shall exceed the amount recommended by the directors.

105. Subject to the provisions of the Act, the directors may pay interim dividends if it appears to them that they are justified by the profits of the company available for distribution. If the share capital is divided into different classes, the directors may pay interim dividends on shares which confer deferred or non-preferred rights with regard to dividend as well as on shares which confer preferential rights with regard to dividend, but no interim dividend shall be paid on shares carrying deferred or non-preferred rights if, at the time of payment, any preferential dividend is in arrear. The directors may also pay at intervals settled by them any dividend payable at a fixed rate if it appears to them that the profits available for distribution justify the payment. Provided the directors act in good faith they shall not incur any liability to the holders of shares conferring preferred rights for any loss they may suffer by the lawful payment of an interim dividend on any shares having deferred or non-preferred rights.

106. Except as otherwise provided by the rights attached to shares, all dividends shall be declared and paid according to the amounts paid up on the shares on which the dividend is paid. All dividends shall be apportioned and paid proportionately to the amounts paid up on the shares during any portion or portions of the period in respect of which the dividend is paid; but, if any share is issued on terms providing that it shall rank for dividend as from a particular date, that share shall rank for dividend accordingly.

107. A general meeting declaring a dividend may, upon the recommendation of the directors, direct that it shall be satisfied wholly or partly by the distribution of assets and, where any difficulty arises in regard to the distribution, the directors may settle the same and in particular may issue fractional certificates and fix the value for distribution of any assets and may determine that cash shall be paid to any member upon the footing of the value so fixed in order to adjust the rights of members and may vest any assets in trustees.

108. Any dividend or other moneys payable in respect of a share may be paid by cheque sent by post to the registered address of the person entitled or, if two or more persons are the holders of the share or are jointly entitled to it by reason of the death or bankruptcy of the holder, to the registered address of that one of those persons who is first named in the register of members or to such person and to such address as the person or persons entitled may in writing direct. Every cheque shall be made payable to the order of the person or persons entitled or to such other person as the person or persons entitled may in writing direct and payment of the cheque shall be a good discharge to the company. Any joint holder or other person jointly entitled to a share as aforesaid may give receipts for any dividend or other moneys payable in respect of the share.

109. No dividend or other moneys payable in respect of a share shall bear interest against the company unless otherwise provided by the rights attached to the share.

110. Any dividend which has remained unclaimed for twelve years from the date when it became due for payment shall, if the directors so resolve, be forfeited and cease to remain owing by the company.

ACCOUNTS

111. No member shall (as such) have any right of inspecting any accounting records or other book or document of the company except as conferred by statute or authorised by the directors or by ordinary resolution of the company.

CAPITALISATION OF PROFITS

112. The directors may with the authority of an ordinary resolution of the company:

(a) subject as hereinafter provided, resolve to capitalise any undivided profits of the company not required for paying any preferential dividend (whether or not they are

available for distribution) or any sum standing to the credit of the company's share premium account or capital redemption reserve;

(b) appropriate the sum resolved to be capitalised to the members who would have been entitled to it if it were distributed by way of dividend and in the same proportions and apply such sum on their behalf either in or towards paying up the amounts, if any, for the time being unpaid on any shares held by them respectively, or in paying up in full unissued shares or debentures of the company of a nominal amount equal to that sum, and allot the shares or debentures credited as fully paid to those members, or as they may direct, in those proportions, or partly in one way and partly in the other: but the share premium account, the capital redemption reserve, and any profits which are not available for distribution may, for the purposes of this Article, only be applied in paying up unissued shares to be allotted to members credited as fully paid;

(c) make such provision by the issue of fractional certificates or by payment in cash or otherwise as they determine in the case of shares or debentures becoming distributable under this Article in fractions; and

(d) authorise any person to enter on behalf of all the members concerned into an agreement with the company providing for the allotment to them respectively, credited as fully paid, of any shares or debentures to which they are entitled upon such capitalisation, any agreement made under such authority being binding on all such members.

NOTICES

113. Any notice to be given to or by any person pursuant to these Articles shall be in writing except that a notice calling a meeting of the directors need not be in writing.

114. The company may give any notice to a member either personally or by sending it by post in a prepaid envelope addressed to the member at his registered address or by leaving it at that address or by sending it by telex or facsimile transmission to such telex or facsimile number as the member shall have given to the company for the purpose or by using electronic communication to such address as the member shall have given to the company for the purpose. In the case of joint holders of a share, all notices shall be given to the joint holder whose name stands first in the register of members in respect of the joint holding and notice so given shall be sufficient notice to all the joint holders.

In this Article and the next, "address", in relation to electronic communications, includes any number or address used for the purposes of such communications.

115. A member present, either in person or by proxy, at any meeting of the company or of the holders of any class of shares in the company shall be deemed to have received notice of the meeting and, where requisite, of the purposes for which it was called.

116. Every person who becomes entitled to a share shall be bound by any notice in respect of that share which, before his name is entered in the register of members, has been duly given to a person from whom he derives his title.

117. Proof that an envelope containing a notice was properly addressed, prepaid and posted or that a notice was properly sent by telex or facsimile transmission or that a notice contained in an electronic communication was properly sent in accordance with guidance issued by the Institute of Chartered Secretaries and Administrators shall be conclusive evidence that the notice was given. A notice shall be deemed to be given at the expiration of 48 hours after the envelope containing it was posted or after the time at which it was sent by telex or facsimile transmission or in an electronic communication.

118. A notice may be given by the company to the persons entitled to a share in consequence of the death or bankruptcy of a member by sending or delivering it, in any manner authorised by these Articles for the giving of notice to a member, addressed to them by name, or by the title of representatives of the deceased, or trustee of the bankrupt or by any like description at the address, if any, within the United Kingdom supplied for that purpose by the persons claiming to be so entitled. Until such an address has been supplied, a notice may be given in any manner in which it might have been given if the death or bankruptcy had not occurred.

WINDING UP

119. If the company is wound up, the liquidator may, with the sanction of an extraordinary resolution of the company and any other sanction required by the Act, divide among the members in specie the whole or any part of the assets of the company and may, for that purpose, value any assets and determine how the division shall be carried out as between the members or different classes of members. The liquidator may, with the like sanction, vest the whole or any part of the assets in trustees upon such trusts for the benefit of the members as he with the like sanction determines, but no member shall be compelled to accept any assets upon which there is a liability.

INDEMNITY

120. Subject to the provisions of the Act, every director, other officer or auditor of the company or person acting as an alternate director shall be entitled to be indemnified out of the assets of the company against all costs, charges, expenses, losses or liabilities which he may sustain or incur in or about the execution of his duties to the company or otherwise in relation thereto.

Annex 101

Balance Sheet and Profit and Loss Account of Central Bank of the Islamic Republic of Iran as at the end of 1380 (21 March 2001 - 20 March 2002)

THE BALANCE SHEET
AND
THE PROFIT AND LOSS ACCOUNT
OF
CENTRAL BANK OF THE
ISLAMIC REPUBLIC OF IRAN

As at the end of 1380

(March 20, 2002)

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CENTRAL BANK OF THE
BALANCE
AS AT END OF ESFAND 1380
AMOUNT IN

March 20, 2001	ASSETS	March 20,2002
	Note cover:	
27,280,000,000,000	Gold, foreign exchange, quota & subscription to international agencies and government obligations	31,500,000,000,000
324,323,803,860	Notes and coins held at the Central Bank	254,895,444,102
1,077,643,169,193	Free gold holdings	589,120,229,667
15,669,117,362,678	Foreign exchange assets	23,345,408,023,708
	Loans and credits to:	
37,763,549,802,227	Government	33,375,795,138,302
14,259,146,989,754	Public institutions & corporations	17,471,411,782,930
0	Public institutions and foundations	250,000,000,000
17,498,266,060,953	Banks	5,249,531,003,340
6,055,125,226,713	Government revolving funds kept with banks	6,827,154,919,124
2,635,524,220,000	Government securities	7,635,524,220,000
458,688,474,409	Fixed assets (less depreciation cost)	610,157,709,924
25,355,034,378,567	Other assets	49,247,656,394,928
148,376,419,488,354		**176,356,654,866,025**
5,400,784,406,779	Customers' undertakings regarding opened letters of credit and guarantees	4,372,359,497,771
153,777,203,895,133		**180,729,014,363,796**
93,928,280,268	Assets of the Central Bank Employees' Retirement Fund	102,418,732,498
17,592,663,590	Assets of the Central Bank Employees' Savings Fund	22,500,450,185
12,742,869,102	Assets of the Central Bank Employees' Cooperation Fund	14,528,638,109
153,901,467,708,093		**180,868,462,184,588**

Executive Board

Mohsen Nourbakhsh
Governor

Mohammad Javad Vahhaji	Ebrahim Sheibany	Mohammad Jaafar Mojarrad	Akbar Komijani	Bijan Latif
Deputy Governor	Secretary General	Vice-Governor	Vice-Governor	Vice-Governor

ISLAMIC REPUBLIC OF IRAN
SHEET
(March 20, 2002)
RIALS

March 20, 2001	LIABILITIES	March 20, 2002
27,280,000,000,000	Notes issued	31,500,000,000,000
275,421,106,999	Coins issued	290,059,958,609
1,593,054,000,000	Central Bank's Participation Papers	9,443,601,000,000
	Deposits:	
35,970,262,226,421	Government: sight	44,085,143,118,912
9,662,733,358,621	Government institutions & corporations: sight	4,103,917,245,708
675,231,267,256	Non-government public institutions & corporations: sight	827,889,269,280
	Banks and credit institutions:	
47,142,468,451,000	Legal	47,531,410,754,000
5,343,520,997,192	Sight	9,813,967,671,739
0	Special term deposits	0
4,099,500,721,328	Advance payment on letters of credit	3,304,169,267,000
0	Special	5,000,000,000,000
56,585,490,169,520		**65,649,547,692,739**
3,345,954,511,485	Other deposits	4,671,098,360,671
180,150,484,673	Income taxes	6,182,777,629
63,399,000,000	Government's share of net profit	7,220,000,000
12,063,891,022,208	Other liabilities	15,088,783,516,495
350,000,000,000	Capital	400,000,000,000
276,169,440,736	Legal reserves	277,755,607,815
54,662,555,116	Contingent reserves	5,455,638,656
345,319	Net profit carried forward	679,511
148,376,419,488,354		**176,356,654,866,025**
5,400,784,406,779	Letters of credit and guarantees	4,372,359,497,771
153,777,203,895,133		**180,729,014,363,796**
93,928,280,268	Liabilities of the Central Bank Employees' Retirement Fund	102,418,732,498
17,592,663,590	Liabilities of the Central Bank Employees' Savings Fund	22,500,450,185
12,742,869,102	Liabilities of the Central Bank Employees' Cooperation Fund	14,528,638,109
153,901,467,708,093		**180,868,462,184,588**

Supervisory Board

Seyyed Rassul Hosseini	Mahmood Reza Abaei Koopaei	Mohammad Nabovvati
Chairman	Member	Member

CENTRAL BANK OF THE
PROFIT AND
1380
AMOUNT

2000/01		2001/02
41,216,786,885	Cost of receiving credit and overdraft from foreign banks	86,086,777,672
358,925,437	Profit paid on foreign exchange deposits	163,963,082
406,642,379,507	Rewards paid on banks' legal deposit	522,424,361,565
12,359,443,950	Profit paid on Central Bank's Participation Papers	968,468,762,260
8,630,136,986	Profit paid for banks' special deposits	210,062,465,753
180,806,063,132	Commission paid on banking services	221,727,436,998
309,392,169,907	Result of foreign exchange valuation-adjustment rate	280,030,968,580
171,368,151,025	Administrative and personnel expenditures	280,560,056,771
71,303,891,378	Money issue and miscellaneous publication expenditures	89,183,352,839
24,633,077,996	Depreciation cost of fixed assets	34,136,025,308
4,193,913,883	Other expenditures	12,988,883,813
327,987,798,081	Net profit	15,861,670,794
1,558,892,738,167		**2,721,694,725,435**

180,150,484,673	Income taxes	6,182,777,629
32,798,779,808	Transfer to legal reserve	1,586,167,079
50,000,000,000	Transfer to contingency reserve	793,083,540
63,399,000,000	Government's share in net profit	7,220,000,000
1,639,938,990	0.5% allocated to low-income groups for housing provision	79,308,354
345,319	Net profit carried forward	679,511
327,988,548,790		**15,862,016,113**

ISLAMIC REPUBLIC OF IRAN
LOSS ACCOUNT
(2001/02)
IN RIALS

2000/01		2001/02
635,551,512,471	Returns on deposits and investment abroad	588,197,180,669
617,197,503,961	Profit received from facilities extended	1,117,560,734,431
127,971,726,741	Commission received for banking services	174,674,386,710
122,595,496,174	Result of foreign exchange and gold transactions	588,512,389,318
0	Profit paid on special participation papers	185,220,000,000
55,576,498,820	Other incomes	67,530,034,307
1,558,892,738,167		**2,721,694,725,435**

APPROPRIATION ACCOUNT

327,987,798,081	Net Profit	15,861,670,794
750,709	Net profit carried forward	345,319
327,988,548,790		**15,862,016,113**

DETAILS OF THE BALANCE SHEET AS AT THE END OF 1380 (March 20, 2002)

A. ASSETS

NOTE ISSUE AND NOTE COVER

On the basis of the currency needs of the country and according to the monetary and banking regulations, Rls. 4,220,000 million worth of new notes were issued and the total notes in circulation amounted to Rls. 31,500,000 million by Esfand 29,1380.

NOTES AND COINS HELD AT THE CBI

Notes and coins held at the CBI as compared to the corresponding figures of the previous year is as follows:

NOTES AND COINS HELD AT THE CBI (million rials)

	Year end	
	1379	1380
Notes	323,876.6	254,494.9
Coins	447.2	400.6
Total	**324,323.8**	**254,895.5**

LOANS AND CREDITS

Total loans and credits extended to the government, its affiliated corporations and institutions, public enterprises and banks amounted to Rls. 56,346,737.9 million. This was after deducting Rls. 20,132,187.6 million as note cover and taking into account other adjustments.

LOANS AND CREDITS EXTENDED (million rials)

	Year end	
	1379	1380
Government	54,587,400.6	53,507,982.8
Less blocked debt in note cover	(16,823,850.8)	(20,132,187.6)
	37,763,549.8	33,375,795.2
Public corporations and institutions	14,259,147.0	17,471,411.7
Banks	17,498,266.1	5,249,531.0
Public enterprises	0	250,000.0
Total	**69,520,962.9**	**56,346,737.9**

GOVERNMENT REVOLVING FUND KEPT WITH BANKS

On the basis of the agency contracts between the CBI and other banks, 12 percent of the balance of governmental accounts with each bank is kept as a revolving fund. The total amount of the revolving fund was Rls. 6,827,154.9 million at the end of Esfand, 1380.

GOVERNMENT SECURITIES

Government securities at the end of Esfand, 1380 was Rls. 7,635,524.2 million, which increased by Rls. 5,000,000 million compared with the previous year. This increase was due to the purchase of government special participation papers, which are issued for the strengthening of banks' capital base (Article 93, 3rd Plan Law), by the Central Bank.

FIXED ASSETS

Fixed assets at the end of 1380 are as follows:

FIXED ASSETS (million rials)

	1379			1380		
	Before depreciation	Depreciation allowance	After depreciation	Before depreciation	Depreciation allowance	After depreciation
Immovable assets	485,438.9	42,617.7	442,821.2	655,210.0	66,465.7	588,744.3
Movable Assets	44,124.6	28,257.3	15,867.3	58,974.7	37,561.3	21,413.4
total	**529,563.5**	**70,875.0**	**458,688.5**	**714,184.7**	**104,027.0**	**610,157.7**

OTHER ASSETS

Other assets held at the CBI at end of 1380 amounted to Rls. 49,247,656.4 million, as follows:

OTHER ASSETS

(million rials)

	Year end	
	1379	1380
Silver holdings	967.3	946.2
Stamp holdings	5.7	5.5
Coin holdings	12,368.6	5,028.5
Investment in other institutions	101,139.9	113,379.0
Ashkanian Dynasty coins	8.7	8.7
Miscellaneous assets	24,671,169.1	48,381,978.2
Revolving funds	1,852.3	2,417.4
Prepayments	21,007.9	26,247.2
Temporary debtors' suspense account	352,997.6	218,477.2
Projects to be completed	193,517.3	160,117.7
Claims for long-term facilities	0	339,050.8
Total	**25,355,034.4**	**49,247,656.4**

CUSTOMERS' UNDERTAKING FOR OPENED LETTERS OF CREDIT & GUARANTEES

The total customers' undertaking for opened letters of credit and guarantees was Rls. 4,372,359.5 million at end of 1380, as follows:

CUSTOMERS' UNDERTAKING FOR OPENED LETTERS OF CREDIT AND GUARANTEES

(million rials)

	Year end	
	1379	1380
Foreign exchange LCs in rials	4,140,687.9	3,454,931.3
Guarantees received from correspondents	24,627.1	102,527.6
Guarantees issued for rescheduled contracts	748,798.7	142,464.1
Opened LCs in foreign exchange	486,670.7	672,436.5
Total	**5,400,784.4**	**4,372,359.5**

B. LIABILITIES

NOTES ISSUED

New notes issued in 1380 totaled Rls. 4,220,000 million. Thus, total issued notes amounted to Rls. 31,500,000 million at the end of 1380.

COINS ISSUED

Rls. 14,638.8 million coins was issued in 1380, bringing the total coins issued to Rls. 290,059.9 million at the end of 1380.

According to the Monetary and Banking Law and the advisory letter of the Ministry of Economic Affairs and Finance, the ceiling for the issuance of coins was determined at Rls. 300 billion.

CBI'S PARTICIPATION PAPERS

Following the approval of the MCC on 14.12.1379, and in accordance with implementation of the monetary policies as stipulated in the 3rd FYDP Law, the CBI was authorized to issue participation papers which commenced on 17.12.1379.

At the end of 1380 (March 20, 2002) the sum total of participation papers sold was Rls. 9,443,601 million.

DEPOSITS

Total sight deposits of the government, public corporations and institutions, non-governmental public enterprises and institutions, banks and non-bank credit institutions, together with other deposits amounted to Rls. 119,337,595.7 million at the end of 1380, as is shown in the respective table.

DEPOSITS

(million rials)

	Year end	
	1379	1380
Government	**35,970,262.2**	**44,085,143.1**
Public corporations and institutions	**9,662,733.4**	**4,103,917.2**
Non-governmental public enterprises & iustitutions	**675,231.3**	**827,889.3**
Banks and non-bank credit institutions:	**56,585,490.2**	**65,649,547.7**
Legal	47,142,468.5	47,531,410.7
Sight	5,343,521.0	9,813,967.7
Special time	0	5,000,000.0
Letters of credit	4,099,500.7	3,304,169.3
Others	**3,345,954.5**	**4,671,098.4**
Total	**106,239,671.6**	**119,337,595.7**

According to Amended Article 60 of the 3rd FYDP Law, the government deposited Rls. 12,771,238.6 million into the OSF, sum of which equalled $ 7,297.9 million.

INCOME TAX

Income tax of the CBI on the basis of amended direct tax law approved in 1380 was Rls. 6,182.8 million for 1380.

SHARE OF GOVERNMENT IN NET PROFIT

According to the Monetary and Banking Law, the remainder of profit, after profit appropriation according to Article 25 of the said Law belongs to the government. The government's share in the net profit of the CBI in 1380 amounted to Rls. 7,220.0 million.

OTHER LIABILITIES

Other liabilities of the CBI amounted to Rls. 15,088,783.5 million at end of 1380, as follows:

OTHER LIABILITIES

(million rials)

	Year end	
	1379	1380
Documents payable	3,626,505.4	3,484,574.8
SDR allocations	543,317.5	535,290.5
Foreign exchange drafts (payable in rials)	3,886.3	3,697.3
Sight deposits of departments within the bank	371,487.8	1,166,386.9
Creditors' suspense account in foreign exchange	765,501.6	2,781,551.9
Creditors' suspense account in rial	3,176,396.3	1,750,528.9
CBI's receipts in connection with the Algerian Decree	369,662.5	271,474.8
Liabilities related to projects to be completed	22,892.4	21,973.2
Short-term facilities extended by foreign banks	2,702,394.5	2,306,283.2
Prepayment in foreign exchange	480,206.8	677,891.9
Long-term facilities extended by foreign banks	0	339,050.8
Foreign exchange facilities	0	1,750,000.0
	12,062,251.1	15,088,704.2
0.5% allocated to low- income groups for provision of housing	1,639.9	79.3
Total	**12,063,891.0**	**15,088,783.5**

CAPITAL

The CBI's capital amounted to Rls. 400,000 million at the end of 1380, showing a Rls. 50,000 million rise compared with the previous year.

LEGAL RESERVE

Based on Monetary and Banking Law, 10 percent of net profit of CBI is required to be held in a legal reserve account, so that the total legal reserve will equal the CBI's capital. The legal reserve for 1380 is Rls. 1,586.2 million, which in addition to the Rls. 276,169.5 million held as legal reserve at the end of the previous year, brought the total legal reserve to Rls. 277,755.7 million at the end of 1380.

CONTINGENCY RESERVE

According to the Monetary and Banking Law, each year an amount is to be held in the contingency reserve account based on proposal of the CBI and approval of the General Assembly.The contingency reserve out of net profit in 1380 is Rls. 793.1 million.

DETAILS OF THE PROFIT AND LOSS ACCOUNT (Esfand 29,1380)

A. REVENUES

REVENUE RECEIVED FROM DEPOSITS AND INVESTMENT ABROAD

The income received from returns on deposits and investment abroad amounted to Rls. 588,197.2 million, as follows:

REVENUE RECEIVED FROM DEPOSITS AND INVESTMENT ABROAD

(million rials)

	Year end	
	1379	1380
Foreign exchange term deposits	509,149.9	459,969.6
Foreign exchange sight deposits & special & clearing accounts	63,640.7	78,426.6
Foreign bonds	116,533.3	410,386.4
Gold depositing	20,878.6	21,643.6
Algerian Decree	0	52,848.9
SDR	24,714.9	17,704.2
Profit of OSF account	(99,365.9)	(452,782.1)
Total	**635,551.5**	**588,197.2**

PROFIT RECEIVED FROM EXTENDED FACILITIES

The profit received from extended facilities in 1380 amounted to Rls. 1,117,560.7 million, as follows:

PROFIT RECEIVED FROM EXTENDED FACILITIES

(million rials)

	Year end	
	1379	1380
Government	32.0	917.3
Public corporations & institutions	171,590.2	200,126.6
Banks	436,885.8	823,599.8
Algerian Decree	5,020.5	92,917.0
Non-governmental public institutions & corporations	3,669.0	0
Total	**617,197.5**	**1,117,560.7**

BANKING FEES AND COMMISSIONS RECEIVED

Banking fees and commissions received totaled Rls. 174,674.4 million, as follows:

BANKING FEES AND COMMISSIONS RECEIVED (million rials)

	Year end	
	1379	1380
Letters of credit	37,775.5	42,749.9
Foreign exchange bills	4,423.9	313.1
Foreign exchange drafts	8,932.2	15,915.2
Local usance	76,530.5	115,023.2
Miscellaneous (rials)	309.5	673.0
Miscellaneous (foreign exchange)	0.1	0
Total	**127,971.7**	**174,674.4**

RESULT OF FOREIGN EXCHANGE AND GOLD TRANSACTIONS

The income received from foreign exchange and gold transactions amounted to Rls. 588,512.4 million as follows:

RESULT OF FOREIGN EXCHANGE AND GOLD TRANSACTIONS

(million rials)

	Year end	
	1379	1380
Foreign exchange losses	111,852.1	89,960.5
Profit derived from international bonds transactions	10,743.4	239,147.0
Profit derived from gold transactions	0	5,670.5
Profit and loss derived from foreign exchange transactions	0	253,734.4
Total	**122,595.5**	**588, 512.4**

PROFIT OF SPECIAL PARTICIPATION PAPERS

An amount of Rls. 185,220 million was projected as profit of government special participaiton papers purchased by the Bank in 1380 and included in the accounts.

OTHER INCOMES

Other incomes of the CBI amounted to Rls. 67,530.0 million as is shown in the following table:

OTHER INCOMES

(million rials)

	Year end	
	1379	1380
Profit from investment in other institutions	21,541.9	7,969.9
Miscellaneous revenues of the Print and Mint Organization	17,392.1	27,725.9
Revenue received from sale of gold and jewelry	12,450.0	21,286.3
Revenue from sale of building No.6	0	8,178.1
Miscellaneous	4,192.5	2,369.8
Total	**55,576.5**	**67,530.0**

B. EXPENDITURES

COST OF RECEIVING CREDIT AND OVERDRAFT FROM FOREIGN BANKS

The cost of receiving credit and overdraft from foreign banks amounted to Rls. 86,086.8 million as follows:

COST OF RECEIVING CREDIT AND OVERDRAFT FROM FOREIGN BANKS

(million rials)

	Year end	
	1379	1380
Correspondents	15,769.7	571.8
Overdraft	23,170.6	16,129.4
Bonds	79.0	0
Clearing	2,197.5	69,385.6
Total	**41,216.8**	**86,086.8**

PROFIT PAID ON FOREIGN EXCHANGE DEPOSITS

The profit paid on foreign exchange deposits in 1380 was Rls. 164.0 million which was deposited with Export Development Bank for the profit accrued to its term foreign exchange deposits.

REWARDS PAID ON BANKS' LEGAL DEPOSITS

As approved at the 788th session of MCC in 15.12.1371, Rls. 522,424.4 million was paid as rewards on legal deposit in 1380.

PROFIT PAID ON CBI'S PARTICIPATION PAPERS

The profit accrued to CBI's participation papers, including the tax thereon, in 1380 amounted to Rls. 968,468.8 million and this was considered in the accounts.

PROFIT PAID ON SPECIAL TERM DEPOSITS

The profit paid on banks' special term deposits amounted to Rls. 210,062.5 million in 1380, Rls. 185,220 million of which was projected as banks' special term deposit (on the basis of implementation of Article 93 of 3rd Plan Law) and Rls. 24,842.5 million was related to Bank Tejarat special term deposits.

COMMISSIONS PAID ON BANKING SERVICES

The commission paid on banking services by the CBI amounted to Rls. 221,727.4 million, as shown in the following table:

COMMISSIONS PAID ON BANKING SERVICES (million rials)

	Year end	
	1379	1380
Paid to banks for government accounts	180,000.0	220,000.0
Purchase of notes from abroad	506.8	763.4
Commission paid to correspondents	299.3	964.0
Total	**180,806.1**	**221,727.4**

RESULT OF FOREIGN EXCHANGE AND GOLD TRANSACTIONS-RATE ADJUSTMENT

The balance of foreign exchange and gold transactions account resulted in Rls. 280,031.0 million deficit, owing to adjustment rates of Bank's foreign exchange accounts at the year end rate, which appeared under profit and loss account.

PERSONNEL AND ADMINISTRATIVE EXPENDITURES

Personnel and administrative expenditures in 1380, and its comparison with the approved budget figures are shown in the following table:

PERSONNEL AND ADMINISTRATIVE EXPENDITURES

(million rials)

	1380	
	Approved budget	Performance
Personnel expenditures	221,350.0	205,843.8
Administrative expenditures	102,836.4	74,716.2
Total	**324,186.4**	**280,560.0**

CURRENCY ISSUANCE EXPENDITURES

The total currency issuance (notes and coins) expenditures was Rls. 89,183.4 million in the review year.

DEPRECIATION COST

In 1380, a sum of Rls. 34,136.0 million was allocated as depreciation cost for movable and immovable assets, as follows:

DEPRECIATION COST

(million rials)

	1379	1380
Depreciation cost of movable assets	5,827.2	8,843.7
Depreciation cost of immovable assets	18,805.9	25,292.3
Total	**24,633.1**	**34,136.0**

OTHER EXPENDITURES

Other expenditures amounted to Rls. 12,988.9 million as follows:

OTHER EXPENDITURES

(million rials)

	Year end	
	1379	1380
Paid to Treasury "Law for compensation of drought related losses"	4,080.8	0
Paid to Treasury "Law for preventing drought related lossess"	0	9,373.7
Gold transportation and insurance	3	3,615.2
Price differential of jewelry purchased in Tehran market and world market	110.1	0
Total	**4,193.9**	**12,988.9**

PROFIT APPROPRIATION

The net profit of the CBI in 1380 amounted to Rls. 15,861,670,794. The net profit of Rls. 345,319 was carried forward and added to the above figure, bringing the total amount to Rls. 15,862,016,113 which was proposed to be appropriated as follows:

PROFIT APPROPRIATION

(rials)

Income tax	6,182,777,629
Transfer to legal reserve	1,586,167,079
Transfer to contingency reserve	793,083,540
Share of the government from the net profit	7,220,000,000
0.5% allocated to low-income groups for provision of housing	79,308,354
Balance of net profit carried forward	679,511
Total	**15,862,016,113**

Annex 102

Balance Sheet and Profit and Loss Account of Central Bank of the Islamic Republic of Iran as at the end of 1381 (21 March 2002 - 20 March 2003)

THE BALANCE SHEET
AND
THE PROFIT AND LOSS ACCOUNT
OF
CENTRAL BANK OF THE
ISLAMIC REPUBLIC OF IRAN

Year ending Esfand 29, 1381

(March 20, 2003)

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CENTRAL BANK OF THE
BALANCE
YEAR ENDING ESFAND 29, 1381
AMOUNT IN

March 20, 2002	ASSETS	March 20, 2003
	Note cover:	
31,500,000,000,000	Gold, foreign exchange, quota and subscription to international agencies and government obligations	37,200,000,000,000
254,895,444,102	Notes and coins held at the Central Bank	341,427,003,864
589,120,229,667	Free gold holdings	3,411,125,512,096
23,345,408,023,708	Foreign exchange assets	156,663,112,434,362
	Loans and credits to:	
33,375,795,138,302	Government	82,565,319,282,928
17,471,411,782,930	Government institutions and corporations	19,831,586,301,860
250,000,000,000	Public institutions and corporations	117,065,217,389
5,249,531,003,340	Banks	19,827,985,923,769
6,827,154,919,124	Government revolving funds kept with banks	4,480,352,059,139
7,635,524,220,000	Government securities	7,635,524,220,000
610,157,709,924	Fixed assets (less depreciation cost)	706,538,365,619
49,247,656,394,928	Other assets	4,063,951,876,843
176,356,654,866,025		**336,843,988,197,869**
4,372,359,497,771	Customers' undertakings regarding opened letters of credit and guarantees	16,073,446,471,482
180,729,014,363,796		**352,917,434,669,351**
102,418,732,498	Assets of the Central Bank Employees' Retirement Fund	258,989,083,463
22,500,450,185	Assets of the Central Bank Employees' Savings Fund	27,474,707,032
14,528,638,109	Assets of the Central Bank Employees' Cooperation Fund	18,669,470,098
180,868,462,184,588		**353,222,567,929,944**

Executive Board

Ebrahim Sheibany
Governor

Mohammad Javad	Heshmatollah	Mohammad Jaafar	Akbar	Bijan
Vahhaji	Azizian	Mojarrad	Komijani	Latif
Deputy Governor	Secretary General	Vice-Governor	Vice-Governor	Vice-Governor

ISLAMIC REPUBLIC OF IRAN
SHEET
(March 20, 2003)
RIALS

March 20, 2002	LIABILITIES	March 20, 2003
31,500,000,000,000	Notes issued	37,200,000,000,000
290,059,958,609	Coins issued	317,274,925,609
9,443,601,000,000	Central Bank's Participation Papers	17,051,847,000,000
	Deposits:	
44,085,143,118,912	Government: sight	112,365,838,423,537
4,103,917,245,708	Government institutions and corporations: sight	7,713,319,428,172
827,889,269,280	Non-government public institutions and corporations: sight	1,020,623,652,905
	Banks and credit institutions:	
47,531,410,754,000	Legal	60,844,614,785,000
9,813,967,671,739	Sight	14,678,360,713,136
0	Special term deposits	200,000,000,000
3,304,169,267,000	Advance payment on letters of credit	1,716,951,484,000
5,000,000,000,000	Special	5,000,000,000,000
65,649,547,692,739		**82,439,926,982,136**
4,671,098,360,671	Other deposits	14,536,022,127,284
6,182,777,629	Income taxes	239,396,007,965
7,220,000,000	Government's share in net profit	95,508,000,000
15,088,783,516,495	Other liabilities	52,350,335,304,660
400,000,000,000	Capital	400,000,000,000
277,755,607,815	Legal reserves	359,867,719,942
5,455,638,656	Contingent reserves	405,455,638,656
0	Foreign exchange assets' and liabilities' revaluation reserve	10,348,572,911,922
679,511	Net profit carried forward	75,081
176,356,654,866,025		**336,843,988,197,869**
4,372,359,497,771	Letters of credit and guarantees	16,073,446,471,482
180,729,014,363,796		**352,917,434,669,351**
102,418,732,498	Liabilities of the Central Bank Employees' Retirement Fund	258,989,083,463
22,500,450,185	Liabilities of the Central Bank Employees' Savings Fund	27,474,707,032
14,528,638,109	Liabilities of the Central Bank Employees' Cooperation Fund	18,669,470,098
180,868,462,184,588		**353,222,567,929,944**

Supervisory Board

Mahmood Reza	Seyyed Rassul	Mohammad
Abaei Koopaei	Hosseini	Nabovvati
Member	Chairman	Member

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CENTRAL BANK OF THE
PROFIT AND
FOR THE YEAR ENDED ESFAND 29, 1381
AMOUNT

2001/02		2002/03
86,086,777,672	Cost of receiving credit and overdraft from foreign banks	67,847,197,190
163,963,082	Profit paid on foreign exchange deposits	0
522,424,361,565	Rewards paid on banks' legal deposit	524,297,183,935
968,468,762,260	Profit paid on Central Bank's Participation Papers	1,936,527,249,276
210,062,465,753	Profit paid for banks' special deposits	1,535,001,969,000
221,727,436,998	Commission paid on banking services	280,677,806,393
280,030,968,580	Result of foreign exchange valuation-adjustment rate	0
280,560,056,771	Administrative and personnel expenditures	502,721,719,885
89,183,352,839	Money issue and miscellaneous printing expenditures	129,302,582,871
34,136,025,308	Depreciation cost of fixed assets	53,674,788,916
12,988,883,813	Other expenditures	25,248,139,814
15,861,670,794	Net profit	821,121,121,268
2,721,694,725,435		**5,876,419,758,548**

6,182,777,629	Income tax	239,396,007,965
1,586,167,079	Transfer to legal reserve	82,112,112,127
793,083,540	Transfer to contingency reserve	400,000,000,000
7,220,000,000	Government's share in net profit	95,508,000,000
79,308,354	0.5% allocated to low-income groups for housing provision	4,105,605,606
679,511	Net profit carried forward	75,081
15,862,016,113		**821,121,800,779**

ISLAMIC REPUBLIC OF IRAN
LOSS ACCOUNT
(March 20,2003)
IN RIALS

2001/02		2002/03
588,197,180,669	Returns on deposits and investment abroad	2,088,357,293,180
1,117,560,734,431	Profit received from facilities extended	1,006,115,110,034
174,674,386,710	Commission received for banking services	159,132,385,459
588,512,389,318	Result of foreign exchange and gold transactions	1,293,751,757,461
185,220,000,000	Profit paid on special participation papers	986,301,969,000
67,530,034,307	Other incomes	342,761,243,414
2,721,694,725,435		**5,876,419,758,548**

APPROPRIATION ACCOUNT

15,861,670,794	Net Profit	821,121,121,268
345,319	Net profit carried forward	679,511
15,862,016,113		**821,121,800,779**

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DETAILS OF THE BALANCE SHEET
YEAR ENDING ESFAND 29, 1381
(March 20, 2003)

A. ASSETS

NOTE ISSUE AND NOTE COVER

On the basis of the currency needs of the country and according to the monetary and banking regulations, Rls. 5,700,000 million worth of new notes were issued and the total notes in circulation amounted to Rls. 37,200,000 million by Esfand 29,1381.

NOTES AND COINS HELD AT THE CBI

Notes and coins held at the CBI as compared to the corresponding figures of the previous year are as follows:

NOTES AND COINS HELD AT THE CBI (million rials)

	Year end	
	1380	1381
Notes	254,494.9	341,412.7
Coins	400.6	14.3
Total	**254,895.5**	**341,427.0**

LOANS AND CREDITS

Total loans and credits extended to the government, its affiliated corporations and institutions, public enterprises and banks amounted to Rls. 122,341,956.7 million. This was after deducting Rls. 6,197,950.8 million as note cover and taking into account other adjustments.

LOANS AND CREDITS EXTENDED

(million rials)

	Year end	
	1380	1381
Government	53,507,982.7	88,763,270.1
Less blocked debt in note cover	20,132,187.6	6,197,950.8
	33,375,795.1	82,565,319.3
Government corporations & institutions	17,471,411.7	19,831,586.3
Banks	5,249,531.0	19,827,985.9
Public enterprises	250,000.0	117,065.2
Total	**56,346,737.9**	**122,341,956.7**

GOVERNMENT REVOLVING FUND KEPT WITH BANKS

On the basis of the agency contracts between the CBI and other banks, 12 percent of the balance of governmental accounts with each bank is kept as a revolving fund. The total amount of the revolving fund was Rls. 4,480,352.1 million at the end of Esfand, 1381.

GOVERNMENT SECURITIES

Government securities at the end of Esfand, 1381 was Rls. 7,635,524.2 million, which remained unchanged as compared with the previous year.

FIXED ASSETS

Fixed assets at the end of 1381 are as follows:

FIXED ASSETS (million rials)

	1380			1381		
	Before depreciation	Depreciation allowance	After depreciation	Before depreciation	Depreciation allowance	After depreciation
Immovable assets	655,210.0	66,465.7	588,744.3	790,633.8	109,605.3	681,028.5
Movable Assets	58,974.7	37,561.3	21,413.4	76,057.3	50,547.4	25,509.9
Total	**714,184.7**	**104,027.0**	**610,157.7**	**866,691.1**	**160,152.7**	**706,538.4**

OTHER ASSETS

Other assets held at the CBI at end of 1381 amounted to Rls. 4,063,951.9 million, as follows:

OTHER ASSETS

(million rials)

	Year end	
	1380	1381
Silver holdings	946.2	881.2
Stamp holdings	5.5	502.6
Coin holdings	5,028.5	6,619.8
Investment in other institutions	113,379.0	113,379.0
Ashkanian Dynasty coins	8.7	8.7
Miscellaneous assets	48,381,978.2	204,740.4
Revolving funds	2,417.4	2,115.3
Prepayments	26,247.2	34,372.8
Temporary debtors' suspense account	218,477.2	2,012,534.1
Projects to be completed	160,117.7	232,197.2
Result of conversion of foreign facilities	0	1,021,714.1
Claims for long-term facilities	339,050.8	434,886.6
Total	**49,247,656.4**	**4,063,951.9**

In 1381, Rls. 48,323,044.9 million outstanding of miscellaneous assets related to royalty of sale of foreign exchange at import certificate, certificate of deposit and negotiated rates, was cleared out of changes resulting from legal exchange rate parities.

CUSTOMERS' UNDERTAKING FOR OPENED LETTERS OF CREDIT & GUARANTEES

The total customers' undertaking for opened letters of credit and guarantees was Rls. 16,073,446.5 million at the end of 1381, as follows:

CUSTOMERS' UNDERTAKING FOR OPENED LETTERS OF CREDIT AND GUARANTEES

(million rials)

	Year end	
	1380	1381
Foreign exchange LCs in rials	3,454,931.3	10,400,311.7
Guarantees received from correspondents	102,527.6	466,212.9
Guarantees issued	142,464.1	30,426.4
Opened LCs in foreign exchange	672,436.5	5,176,495.5
Total	**4,372,359.5**	**16,073,446.5**

B. LIABILITIES

NOTES ISSUED

New notes issued in 1381 totaled Rls. 5,700,000 million. Thus, total issued notes amounted to Rls. 37,200,000 million at the end of 1381.

COINS ISSUED

During 1381 Rls. 27,215 million coins was issued, bringing the total coins issued to Rls. 317,274.9 million at the end of 1381.

According to the Monetary and Banking Law and the advisory letter of the Ministry of Economic Affairs and Finance, the ceiling for the issuance of coins was determined at Rls. 320 billion.

CBI'S PARTICIPATION PAPERS

Following the approval of the MCC on 29.2.1381, and in accordance with implementation of the monetary policies as stipulated in the 3rd FYDP Law, the CBI was authorized to issue participation papers which commenced on 17.12.1379.

At the end of 1381 (March 20, 2003) the total amount of sold participation papers was Rls. 17,051,847 million.

DEPOSITS

Total demand deposits of the government, public corporations and institutions, non-governmental public enterprises and institutions, banks and non-bank credit institutions, along with other deposits amounted to Rls. 218,075,730.6 million at the end of 1381, as is shown in the following table.

DEPOSITS

(million rials)

	Year end	
	1380	1381
Government	**44,085,143.1**	**112,365,838.4**
Public corporations and institutions	**4,103,917.2**	**7,713,319.4**
Non-governmental public enterprises & institutions	**827,889.3**	**1,020,623.7**
Banks and non-bank credit institutions:		
Legal	47,531,410.7	60,844,614.8
Demand	9,813,967.7	14,678,360.7
Special	5,000,000.0	5,000,000.0
Term	0	200,000.0
Letters of credit	3,304,169.3	1,716,951.5
Sub-total	**65,649,547.7**	**82,439,927.0**
Others	**4,671,098.4**	**14,536,022.1**
Total	**119,337,595.7**	**218,075,730.6**

According to Amended Article 60 of the 3rd FYDP Law, the government deposited Rls. 65,326,626.4 million into the OSF, equalled $ 8,082 million.

INCOME TAX

Income tax of the CBI on the basis of amended direct tax law approved in 1380 was Rls. 239,396 million for 1381.

SHARE OF GOVERNMENT IN NET PROFIT

According to the Monetary and Banking Law, the remainder of profit, after profit appropriation according to Article 25 of the said Law, belongs to the government. The government's share in the net profit of the CBI in 1381 amounted to Rls. 95,508 million.

OTHER LIABILITIES

Other liabilities of the CBI amounted to Rls. 52,350,335.3 million at the end of 1381, as follows:

OTHER LIABILITIES

(million rials)

	Year end	
	1380	1381
Documents payable	3,484,574.8	15,093,300.7
SDR allocations	535,290.5	2,680,223.0
Foreign exchange drafts (payable in rials)	3,697.3	14,684.7
Sight deposits of departments within the bank	1,166,386.9	1,083,407.9
Creditors' suspense account in foreign exchange	2,781,551.9	3,656,876.8
Creditors' suspense account in rial	1,750,528.9	2,757,582.8
CBI's receipts in connection with the Algerian Decree	271,474.8	198,994.7
Liabilities related to projects to be completed	21,973.2	19,381.4
Short-term facilities extended by foreign banks	2,306,283.2	2,382,441.3
Prepayment in foreign exchange	677,891.9	6,990,129.5
Long-term facilities extended by foreign banks	339,050.8	1,962,845.8
Foreign exchange facilities	1,750,000.0	6,960,361.1
Issued Euro bonds	0	8,546,000.0
0.5% allocated to low- income groups for provision of housing	79.3	4,105.6
Total	**15,088,783.5**	**52,350,335.3**

A sum of Rls. 2,680,233 million of SDR allocation equal to 244,056,000 SDR is related to Iran's quota in IMF. Foreign exchange balance of the mentioned account remained unchanged as compared to the previous year. Any changes in terms of rial was due to change in the parity of SDR resulting from exchange rate unification.

CAPITAL

The CBI's capital amounted to Rls. 400,000 million at the end of 1381, which was unchanged as compared to the previous year.

LEGAL RESERVE

Based on Monetary and Banking Law, 10 percent of net profit of CBI is required to be held in a legal reserve account, so that the total legal reserve will equal the CBI's capital. The legal reserve for 1381 is Rls. 82,112.1 million, which in addition to the Rls. 277,755.7 million held as legal reserve at the end of the previous year, brought the total legal reserve to Rls. 359,867.8 million at the end of 1381.

CONTINGENCY RESERVE

According to the Monetary and Banking Law, each year an amount is to be held in the contingency reserve account based on proposal of the CBI and approval of the General Assembly.The contingency reserve out of net profit in 1381 is Rls. 400,000 million.

FOREIGN EXCHANGE ASSETS AND LIABILITIES CONVERSION RESERVE

Foreign exchange assets and liabilities conversion reserve in 1381 amounted to Rls.10,348,572.9 million at 28.12.1381 rates.

CONVERSION RESERVE OF FOREIGN EXCHANGE ASSETS AND LIABILITIES

(million rials)

	Year end 1381
Gold	275,860.5
Quota and subscription to international institutions	529,911.9
Foreign exchange holdings	10,018,543.0
Clearing accounts	-475,742.5
Total	**10,348,572.9**

DETAILS OF THE PROFIT AND LOSS ACCOUNT (for the year ending Esfand 29,1381)

A. REVENUES

REVENUE RECEIVED FROM DEPOSIT AND INVESTMENT ABROAD

The income received from returns on deposits and investment abroad amounted to Rls. 2,088,357.3 million, as follows:

REVENUE RECEIVED FROM DEPOSITS AND INVESTMENT ABROAD

(million rials)

	Year end	
	1380	1381
Foreign exchange term deposits	459,969.6	1,389,939.7
Foreign exchange sight deposits & special & clearing accounts	78,426.6	168,222.8
Foreign bonds	410,386.4	2,599,351.8
Gold depositing	21,643.6	440.0
Algerian Decree	52,848.9	116,271.5
SDR	17,704.2	60,965.3
Profit of OSF account	-452,782.1	-2,246,833.8
Total	**588,197.2**	**2,088,357.3**

According to the amended by-law of Article 60 of the 3rd Plan Law, the profit of the OSF for the current fiscal year was Rls. 2,246,833.8 million, which was deducted from revenue received from deposits and investment abroad according to the Money and Credit Council's approval.

It is to be noted that, the mentioned foreign exchange revenue which was calculated on the basis of floating rate in 1380 (Rls. 1,750) is calculated on the basis of the current foreign exchange rate in 1381.

PROFIT RECEIVED FROM EXTENDED FACILITIES

The profit received from extended facilities in 1381 amounted to Rls. 1,006,115.1 million, as follows:

PROFIT RECEIVED FROM EXTENDED FACILITIES

(million rials)

	Year end	
	1380	1381
Government	917.3	962.1
Government corporations and institutions	200,126.6	201,819.6
Banks	823,599.8	720,651.6
Algerian Decree	92,917.0	16,711.9
Non-governmental public institutions & corporations	0	65,969.9
Total	**1,117,560.7**	**1,006,115.1**

BANKING FEES AND COMMISSIONS RECEIVED

Banking fees and commissions received totaled Rls. 159,132.4 million, as follows:

BANKING FEES AND COMMISSIONS RECEIVED (million rials)

	Year end	
	1380	1381
Letters of credit	42,749.9	78,445.6
Foreign exchange bills	313.1	2,390.8
Foreign exchange drafts	15,915.2	77,645.6
Local usance	115,023.2	0
Miscellaneous (rials)	673.0	650.4
Total	**174,674.4**	**159,132.4**

RESULT OF FOREIGN EXCHANGE AND GOLD TRANSACTIONS

The income received from foreign exchange and gold transactions amounted to Rls. 1,293,751.8 million as follows:

RESULT OF FOREIGN EXCHANGE AND GOLD TRANSACTIONS

(million rials)

	Year end	
	1380	1381
Foreign exchange losses	89,960.5	78,579.4
Profit derived from international bonds transactions	239,147.0	1,215,172.4
Profit derived from gold transactions	5,670.5	0
Profit and loss derived from foreign exchange transactions	253,734.4	0
Total	**588, 512.4**	**1,293,751.8**

PROFIT OF SPECIAL PARTICIPATION PAPERS

An amount of Rls. 986,302 million was projected as profit of government special participaiton papers purchased by the Bank in 1381 and included in the accounts.

OTHER INCOMES

Other incomes of the CBI amounted to Rls. 342,761.2 million as is shown in the following table:

OTHER INCOMES

(million rials)

	Year end	
	1380	1381
Profit from investment in other institutions	7,969.9	27,152.2
Miscellaneous revenues of the Print and Mint Organization	27,725.9	37,488.6
Revenue received from sale of gold and jewelry, gold coin & bar	21,286.3	273,096.0
Revenue from sale of building No.6	8,178.1	0
Miscellaneous	2,369.8	5,024.4
Total	**67,530.0**	**342,761.2**

The profit from investment in other institutions amounted to Rls. 19,368.3 million is related to the Bank dividends in Iran which National Investment Company and Rls. 7,784 million to National Informatic Company's dividend.

The revenue of Print and Mint Organization by Rls. 37,488.6 million is received mostly from miscellaneous publishing orders of other banks and organizations.

In the review year, part of gold, silver and jewelry which is confiscated in favor of the government and purchased and owned by the CBI, is sold by Kargoshaei Bank, the amount of which was Rls. 3,945.5 million which was considered as Bank revenue.

Moreover, a sum of Rls. 269,150.6 million was considered as Bank revenue for sale of gold coin and bar.

B. EXPENDITURES

COST OF RECEIVING CREDIT AND OVERDRAFT FROM FOREIGN BANKS

The cost of receiving credit and overdraft from foreign banks amounted to Rls. 67,847.2 million as follows:

COST OF RECEIVING CREDIT AND OVERDRAFT FROM FOREIGN BANKS

(million rials)

	Year end	
	1380	1381
Correspondents	571.8	1,718.5
Overdraft	16,129.4	55,436.5
Bonds	0	7,829.5
Clearing	69,385.6	2,862.7
Total	**86,086.8**	**67,847.2**

REWARDS PAID ON BANKS' LEGAL DEPOSITS

As approved at the 788th session of MCC on 15.12.1371, Rls. 524,297.2 million was paid as rewards on legal deposit in 1381.

Rate of rewards paid on legal deposits is as follows:

Banks	
Demand	0.8 percent
Short-term and others	1.1 percent
Long-term	1.2 percent
Credit institutions	
Short-term and others	0.9 percent
Long-term	1.1 percent

PROFIT PAID ON CBI'S PARTICIPATION PAPERS

The profit accrued to CBI's participation papers, including the tax thereon, in 1381 amounted to Rls. 1,936,527.2 million and this was considered in the accounts.

PROFIT PAID ON SPECIAL TERM DEPOSITS

The profit paid on banks' term deposits amounted to Rls. 1,535,002 million in 1381, Rls. 986,302 million of which was projected as banks' special term deposit and Rls. 548,700 was the profit of Bank Mellat, Maskan, Melli and Industry and Mine term deposit.

COMMISSIONS PAID ON BANKING SERVICES

The commission paid on banking services by the CBI amounted to Rls. 280,677.8 million, as shown in the following table:

COMMISSIONS PAID ON BANKING SERVICES (million rials)

	Year end	
	1380	1381
Paid to banks for government accounts	220,000.0	270,000.0
Purchase of notes from abroad	763.4	3,624.6
Commission paid to correspondents	964.0	7,053.2
Total	**221,727.4**	**280,677.8**

As approved at the 670th session of MCC on 17.4.1368, the commission paid on banking services for keeping government accounts, according to the Bank's annual approved budget and the average of outstanding of government accounts with banks, is paid to banks.

PERSONNEL AND ADMINISTRATIVE EXPENDITURES

Personnel and administrative expenditures in 1381, and its comparison with the approved budget figures are shown in the following table:

PERSONNEL AND ADMINISTRATIVE EXPENDITURES (million rials)

	1381	
	Approved budget	Performance
Personnel expenditures	286,690.0	257,140.0
Administrative expenditures	304,535.8	245,581.7
Total	**591,225.8**	**502,721.7**

CURRENCY ISSUANCE AND MISCELLANEOUS PUBLISHING EXPENDITURES

The total currency issuance and miscellaneous publishing expenditures in the review year was Rls. 129,302.6 million, which was mainly related to issuance of notes and coins.

DEPRECIATION COST

In 1381, a sum of Rls. 53,674.8 million was allocated as depreciation cost for movable and immovable assets, as follows:

DEPRECIATION COST (million rials)

	1380	1381
Depreciation cost of movable assets	8,843.7	11,744.6
Depreciation cost of immovable assets	25,292.3	41,930.2
Total	**34,136.0**	**53,674.8**

A sum of Rls. 1,324.3 million related to depreciation cost of movable and immovable assets of the Print and Mint Organization was deposited into currency issuance account. Increase in depreciation cost of immovable assets is due to the operation of a new building.

OTHER EXPENDITURES

Other expenditures amounted to Rls. 25,248.1 million as follows:

OTHER EXPENDITURES (million rials)

	Year end	
	1380	1381
Implementation of Note 2, Budget Law for 1381	0	20,770.5
Paid to Treasury, "Law for preventing drought related lossess"	9,373.7	0
Gold transportation and insurance	3,615.2	2,686.4
Euro bonds issuance	0	1,791.2
Total	**12,988.9**	**25,248.1**

According to the 1381 Budget Law, a sum of Rls. 20,770.5 million was deposited into Treasury account.

PROFIT APPROPRIATION

The net profit of the CBI in 1381 amounted to Rls. 821,121,121,268. The net profit of Rls. 679,511 was carried forward and added to the above figure, bringing the total amount to Rls.821,121,800,779 which was proposed to be appropriated as follows:

PROFIT APPROPRIATION (rials)

Income tax	239,396,007,965
Transfer to legal reserve	82,112,112,127
Transfer to contingency reserve	400,000,000,000
Share of the government in the net profit	95,508,000,000
0.5% allocated to low-income groups for provision of housing	4,105,605,606
Balance of net profit carried forward	75,081
Total	**821,121,800,779**

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Annex 103

Balance Sheet and Profit and Loss Account of Central Bank of the Islamic Republic of Iran as at the end of 1382 (21 March 2003 - 19 March 2004)

THE BALANCE SHEET
AND
THE PROFIT AND LOSS ACCOUNT
OF
CENTRAL BANK OF THE
ISLAMIC REPUBLIC OF IRAN

As at the end of 1382

(March 20, 2004)

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CENTRAL BANK OF THE
BALANCE
AS AT END OF ESFAND 1382
AMOUNT IN

March 20, 2003	ASSETS	March 20, 2004
	Note cover:	
37,200,000,000,000	Gold, foreign exchange, quota & subscription to international agencies and government obligations	42,500,000,000,000
341,427,003,864	Notes and coins held at the Central Bank	737,299,859,293
3,411,125,512,096	Free gold holdings	3,267,066,802,750
156,663,112,434,362	Foreign exchange assets	194,398,615,627,348
	Loans and credits to:	
82,565,319,282,928	Government	84,869,398,163,064
19,831,586,301,860	Government institutions and corporations	18,898,088,723,934
117,065,217,389	Public institutions and corporations	0
19,827,985,923,769	Banks	18,468,138,755,809
4,480,352,059,139	Government revolving funds kept with banks	5,074,091,501,111
7,635,524,220,000	Government securities	6,605,129,636,957
706,538,365,619	Fixed assets (less depreciation cost)	1,046,364,710,313
4,063,951,876,843	Other assets	2,396,640,374,761
336,843,988,197,869		**378,260,834,155,340**
16,073,446,471,482	Customers' undertakings regarding opened letters of credit and guarantees	14,740,937,897,403
352,917,434,669,351		**393,001,772,052,743**
258,989,083,463	Assets of the Central Bank Employees' Retirement Fund	430,904,539,548
27,474,707,032	Assets of the Central Bank Employees' Savings Fund	34,822,877,078
18,669,470,098	Assets of the Central Bank Employees' Cooperation Fund	25,067,193,090
353,222,567,929,944		**393,492,566,662,459**

Executive Board
Ebrahim Sheibany
Governor

Mohammad Javad	Heshmatollah	Mohammad Jaafar	Akbar	Alireza
Vahhaji	Azizian	Mojarrad	Komijani	Shirany
Deputy Governor	Secretary General	Vice-Governor	Vice-Governor	Vice-Governor

ISLAMIC REPUBLIC OF IRAN
SHEET
(March 20, 2004)
RIALS

March 20, 2003	LIABILITIES	March 20, 2004
37,200,000,000,000	Notes issued	42,500,000,000,000
317,274,925,609	Coins issued	342,923,384,609
17,051,847,000,000	Central Bank's Participation Papers	16,649,704,000,000
	Deposits:	
112,365,838,423,537	Government: sight	124,977,653,859,106
7,713,319,428,172	Government institutions & corporations: sight	7,612,904,424,643
1,020,623,652,905	Non-government public institutions & corporations: sight	1,616,316,751,438
	Banks and credit institutions:	
60,844,614,785,000	Legal	76,301,509,476,000
14,678,360,713,136	Sight	6,123,072,214,649
200,000,000,000	Special term deposits	0
1,716,951,484,000	Advance payment on letters of credit	261,110,306,757
5,000,000,000,000	Special	3,969,605,416,957
82,439,926,982,136		**86,655,297,414,363**
14,536,022,127,284	Other deposits	15,395,916,548,927
239,396,007,965	Income tax	305,709,457,510
95,508,000,000	Government's share in net profit	354,666,000,000
52,350,335,304,660	Other liabilities	50,798,191,475,225
400,000,000,000	Capital	800,000,000,000
359,867,719,942	Legal reserves	478,089,838,776
405,455,638,656	Contingent reserves	403,167,638,656
10,348,572,911,922	Foreign exchange assets' and liabilities' revaluation reserve	29,370,292,780,949
75,081	Net profit carried forward	581,138
336,843,988,197,869		**378,260,834,155,340**
16,073,446,471,482	Letters of credit and guarantees	14,740,937,897,403
352,917,434,669,351		**393,001,772,052,743**
258,989,083,463	Liabilities of the Central Bank Employees' Retirement Fund	430,904,539,548
27,474,707,032	Liabilities of the Central Bank Employees' Savings Fund	34,822,877,078
18,669,470,098	Liabilities of the Central Bank Employees' Cooperation Fund	25,067,193,090
353,222,567,929,944		**393,492,566,662,459**

Supervisory Board

Mahmood Reza	Seyyed Rassul	Mohammad
Abaei Koopaei	Hosseini	Nabovvati
Member	Chairman	Member

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CENTRAL BANK OF THE
PROFIT AND
1382
AMOUNT

2002/03		2003/04
67,847,197,190	Cost of receiving credit and overdraft from foreign banks	83,772,421,893
0	Profit paid on foreign exchange deposits	0
524,297,183,935	Rewards paid on banks' legal deposit	658,407,634,134
1,936,527,249,276	Profit paid on Central Bank's Participation Papers	2,906,713,860,249
1,535,001,969,000	Profit paid for banks' special deposits	962,460,289,388
280,677,806,393	Commission paid on banking services	322,703,675,286
0	Result of foreign exchange valuation-adjustment rate	46,606,639,000
502,721,719,885	Administrative and personnel expenditures	562,712,766,943
129,302,582,871	Money issue and miscellaneous printing expenditures	180,752,940,145
53,674,788,916	Depreciation cost of fixed assets	61,250,940,951
25,248,139,814	Other expenditures	56,526,666,767
821,121,121,268	Net profit	1,182,221,188,343
5,876,419,758,548		**7,024,129,023,099**

239,396,007,965	Income tax	305,709,457,510
82,112,112,127	Transfer to legal reserve	118,222,118,834
400,000,000,000	Transfer to contingency reserve	397,712,000,000
95,508,000,000	Government's share in net profit	354,666,000,000
4,105,605,606	0.5% of net profit allocated to low-income groups for housing provision	5,911,105,942
75,081	Net profit carried forward	581,138
821,121,800,779		**1,182,221,263,424**

ISLAMIC REPUBLIC OF IRAN
LOSS ACCOUNT
(March 20,2004)
IN RIALS

2002/03		2003/04
2,088,357,293,180	Returns on deposits and investment abroad	2,793,767,933,491
1,006,115,110,034	Profit received from facilities extended	1,258,382,850,975
159,132,385,459	Commission received for banking services	116,853,860,434
1,293,751,757,461	Result of foreign exchange and gold transactions	1,528,919,094,817
986,301,969,000	Profit paid on special participation papers	948,160,289,388
342,761,243,414	Other incomes	378,044,993,994
5,876,419,758,548		**7,024,129,023,099**

APPROPRIATION ACCOUNT

821,121,121,268	Net Profit	1,182,221,188,343
679,511	Net profit carried forward	75,081
821,121,800,779		**1,182,221,263,424**

DETAILS OF THE BALANCE SHEET AS AT THE END OF 1382 (March 20, 2004)

A. ASSETS

NOTE ISSUE AND NOTE COVER

On the basis of the currency needs of the country and according to the monetary and banking regulations, Rls. 5,300,000 million worth of new notes were issued and the total notes in circulation amounted to Rls. 42,500,000 million by Esfand 29,1382.

NOTES AND COINS HELD AT THE CBI

Notes and coins held at the CBI as compared to the corresponding figures of the previous year is as follows:

NOTES AND COINS HELD AT THE CBI (million rials)

	Year end	
	1381	1382
Notes	341,412.7	737,235.8
Coins	14.3	64.1
Total	**341,427.0**	**737,299.9**

LOANS AND CREDITS

Total loans and credits extended to the government, its affiliated corporations and institutions, public enterprises and banks amounted to Rls. 122,235,625.7 million. This was after deducting Rls. 8,188,857.7 million as note cover and taking into account other adjustments.

LOANS AND CREDITS EXTENDED (million rials)

	Year end	
	1381	1382
Government	88,763,270.1	93,058,255.9
Less blocked debt in note cover	6,197,950.8	8,188,857.7
	82,565,319.3	**84,869,398.2**
Government corporations and institutions	19,831,586.3	18,898,088.7
Banks	19,827,985.9	18,468,138.8
Public enterprises and institutions	117,065.2	0
Total	**122,341,956.7**	**122,235,625.7**

GOVERNMENT REVOLVING FUND KEPT WITH BANKS

On the basis of the agency contracts between the CBI and other banks, 12 percent of the balance of governmental accounts with each bank is kept as a revolving fund. The total amount of the revolving fund was Rls. 5,074,091.5 million at the end of Esfand, 1382.

GOVERNMENT SECURITIES

Government securities at the end of Esfand, 1382 was Rls. 6,605,129.6 million, which was reduced by Rls. 1,030,394.6 million as compared with the previous year.

FIXED ASSETS

Fixed assets at the end of 1382 are as follows:

FIXED ASSETS (million rials)

	1381			1382		
	Before depreciation	Depreciation allowance	After depreciation	Before depreciation	Depreciation allowance	After depreciation
Immovable assets	790,633.8	109,605.3	681,028.5	1,201,757.7	180,980.2	1,020,777.5
Movable Assets	76,057.3	50,547.4	25,509.9	93,369.4	67,782.2	25,587.2
Total	**866,691.1**	**160,152.7**	**706,538.4**	**1,295,127.1**	**248,762.4**	**1,046,364.7**

OTHER ASSETS

Other assets held at the CBI at end of 1382 amounted to Rls. 2,396,640.4 million, as follows:

OTHER ASSETS (million rials)

	Year end	
	1381	1382
Silver holdings	881.2	845.0
Stamp holdings	502.6	487.5
Coin holdings	6,619.8	25,498.0
Investment in other institutions	113,379.0	208,284.0
Ashkanian Dynasty coins	8.7	8.7
Miscellaneous assets	204,740.4	458,232.0
Revolving funds	2,115.3	890.6
Prepayments	34,372.8	39,990.1
Temporary debtors' suspense account	2,012,534.1	327,846.6
Projects to be completed	232,197.2	179,352.0
Result of conversion of foreign facilities	1,021,714.2	743,866.4
Claims for long-term facilities	434,886.6	411,339.5
Total	**4,063,951.9**	**2,396,640.4**

CUSTOMERS' UNDERTAKING FOR OPENED LETTERS OF CREDIT & GUARANTEES

The total customers' undertaking for opened letters of credit and guarantees was Rls. 14,740,937.9 million at end of 1382, as follows:

CUSTOMERS' UNDERTAKING FOR OPENED LETTERS OF CREDIT AND GUARANTEES

(million rials)

	Year end	
	1381	1382
Foreign exchange LCs in rials	10,400,311.7	11,068,027.7
Guarantees received from correspondents	466,212.9	469,621.1
Guarantees issued	30,426.4	0
Opened LCs in foreign exchange	5,176,495.5	3,203,289.1
Total	**16,073,446.5**	**14,740,937.9**

B. LIABILITIES

NOTES ISSUED

New notes issued in 1382 totaled Rls. 5,300,000 million. Thus, total issued notes amounted to Rls. 42,500,000 million at the end of 1382.

COINS ISSUED

Rls. 25,648.5 million coins was issued in 1382, bringing the total coins issued to Rls. 342,923.4 million at the end of 1382.

According to the Monetary and Banking Law and the advisory letter of the Ministry of Economic Affairs and Finance, the ceiling for the issuance of coins was determined at Rls. 400 billion.

CBI'S PARTICIPATION PAPERS

Following the approval of the MCC on 29.2.1381, and in accordance with implementation of the monetary policies as stipulated in the 3rd FYDP Law, the CBI was authorized to issue participation papers which commenced on 17.12.1379.

At the end of 1382 (March 20, 2004) the total amount of participation papers sold was Rls. 16,649,704 million.

DEPOSITS

Total sight deposits of the government, public corporations and institutions, non-governmental public enterprises and institutions, banks and non-bank credit institutions, together with other deposits amounted to Rls. 236,258,089.1 million at the end of 1382, as is shown in the following table:

DEPOSITS

(million rials)

	Year end	
	1381	1382
Government	**112,365,838.4**	**124,977,653.9**
Government corporations and institutions	**7,713,319.4**	**7,612,904.4**
Non-governmental public enterprises & institutions	**1,020,623.7**	**1,616,316.8**
Banks and non-bank credit institutions:		
Legal	60,844,614.8	76,301,509.5
Sight	14,671,393.8	6,123,072.2
Special	5,000,000.0	3,969,605.4
Term	200,000.0	0
LCs and order registration	1,723,918.4	261,110.3
Sub-total	**82,439,927.0**	**86,655,297.4**
Others	**14,536,022.1**	**15,395,916.6**
Total	**218,075,730.6**	**236,258,089.1**

According to Amended Article 60 of the 3rd FYDP Law, the government deposited Rls. 71,092,773.1 million into the OSF, sum of which equalled $ 8,443.3 million.

INCOME TAX

Income tax of the CBI on the basis of amended direct tax law approved in 1380 was Rls. 305,709.5 million for 1382.

SHARE OF GOVERNMENT IN NET PROFIT

According to the Monetary and Banking Law, the remainder of profit, after profit appropriation according to Article 25 of the said Law, belongs to the government. The government's share in the net profit of the CBI in 1382 amounted to Rls. 354,666 million.

OTHER LIABILITIES

Other liabilities of the CBI amounted to Rls. 50,798,191.4 million at end of 1382, as follows:

OTHER LIABILITIES

(million rials)

	Year end	
	1381	1382
Documents payable	15,093,300.7	17,703,615.8
SDR allocations	2,680,223.0	3,023,758.7
Foreign exchange drafts (payable in rials)	14,684.7	6,449.0
Sight deposits of departments within the bank	1,083,407.9	1,314,495.2
Creditors' suspense account in foreign exchange	3,656,876.8	4,396,056.4
Creditors' suspense account in rial	2,757,582.8	2,968,139.8
CBI's receipts in connection with the Algerian Decree	198,994.7	172,976.6
Liabilities related to projects to be completed	19,381.4	17,022.4
Short-term facilities extended by foreign banks	2,382,441.3	120,105.8
Prepayment in foreign exchange	6,990,129.5	5,105,797.1
Long-term facilities extended by foreign banks	1,962,845.8	1,897,325.3
Foreign exchange facilities	6,960,361.1	3,740,538.2
Issued Euro bonds	8,546,000.0	10,326,000.0
0.5% allocated to low- income groups for provision of housing	4,105.6	5,911.1
Total	**52,350,335.3**	**50,798,191.4**

CAPITAL

The CBI's capital amounted to Rls. 800,000 million at the end of 1382, which increased by Rls. 400,000 million as compared to the previous year.

LEGAL RESERVE

Based on Monetary and Banking Law, 10 percent of net profit of CBI is required to be held in a legal reserve account, so that the total legal reserve will equal the CBI's capital. The legal reserve for 1382 was Rls. 118,222.1 million, which in addition to the Rls. 359,867.7 million held as legal reserve at the end of the previous year, brought the total legal reserve to Rls. 478,089.8 million at the end of 1382.

CONTINGENCY RESERVE

According to the Monetary and Banking Law, each year an amount is to be held in the contingency reserve account based on proposal of the CBI and approval of the General Assembly.The contingency reserve out of net profit was Rls. 397,712 million, in 1382.

RESERVE FOR FOREIGN EXCHANGE CONVERSION

Foreign exchange assets and liabilities conversion reserve in 1382 amounted to Rls. 29,370,292.8 million at 28.12.1382 rates.

RESERVE FOR FOREIGN EXCHANGE CONVERSION

(million rials)

	Year end 1382
Gold	713,457.2
Quota and subscription to international institutions	1,199,636.9
Foreign exchange holdings	27,649,153.5
Clearing accounts	-191,954.8
Total	**29,370,292.8**

DETAILS OF THE PROFIT AND LOSS ACCOUNT (Esfand 29,1382)

A. REVENUES

REVENUE RECEIVED FROM DEPOSITS AND INVESTMENT ABROAD

The income received from returns on deposits and investment abroad amounted to Rls. 2,793,767.9 million, as follows:

REVENUE RECEIVED FROM DEPOSITS AND INVESTMENT ABROAD

(million rials)

	Year end	
	1381	1382
Foreign exchange term deposits	1,389,939.7	1,329,802.6
Foreign exchange sight deposits & special & clearing accounts	168,222.8	68,037.2
Foreign bonds	2,599,351.8	3,373,634.7
Gold depositing	440.0	0
Algerian Decree	116,271.5	12,168.0
SDR	60,965.3	51,562.9
Profit of OSF account	-2,246,833.8	-2,041,437.5
Total	**2,088,357.3**	**2,793,767.9**

PROFIT RECEIVED FROM EXTENDED FACILITIES

The profit received from extended facilities in 1382 amounted to Rls. 1,258,382.8 million, as follows:

PROFIT RECEIVED FROM EXTENDED FACILITIES

(million rials)

	Year end	
	1381	1382
Government	962.1	1,629.5
Government corporations and institutions	201,819.6	77,296.1
Banks	720,651.6	1,107,646.4
Algerian Decree	16,711.9	45,930.3
Non-governmental public institutions and corporations	65,969.9	25,880.5
Total	**1,006,115.1**	**1,258,382.8**

BANKING FEES AND COMMISSIONS RECEIVED

Banking fees and commissions received totaled Rls. 116,853.9 million, as follows:

BANKING FEES AND COMMISSIONS RECEIVED (million rials)

	Year end	
	1381	1382
Letters of credit	78,445.6	105,752.2
Foreign exchange bills	2,390.8	10.1
Foreign exchange drafts	77,645.6	10,438.5
Miscellaneous	650.4	653.1
Total	**159,132.4**	**116,853.9**

RESULT OF FOREIGN EXCHANGE AND GOLD TRANSACTIONS

The income received from foreign exchange and gold transactions amounted to Rls. 1,482,312.5 million as follows:

RESULT OF FOREIGN EXCHANGE AND GOLD TRANSACTIONS

(million rials)

	Year end	
	1381	1382
Foreign exchange losses	78,579.4	336,385.1
Profit derived from international bonds transactions	1,215,172.4	1,192,534.0
Reevaluation of international bonds	0	-46,606.6
Total	**1,293,751.8**	**1,482,312.5**

PROFIT OF SPECIAL PARTICIPATION PAPERS

An amount of Rls. 948,160.3 million was projected as profit of government special participaiton papers purchased by the Bank in 1382 and included in the accounts.

OTHER INCOMES

Other incomes of the CBI amounted to Rls. 378,045 million as is shown in the following table:

OTHER INCOMES

(million rials)

	Year end	
	1381	1382
Profit from investment in other institutions	27,152.2	123,178.2
Miscellaneous revenues of the Print and Mint Organization	37,488.6	79,916.8
Miscellaneous revenues of the factory producing securities' paper-Takab	0	1,093.3
Revenue received from sale of gold and jewelry, gold coin & bar	273,096.0	166,548.8
Miscellaneous	5,024.4	7,307.9
Total	**342,761.2**	**378,045.0**

B. EXPENDITURES

COST OF RECEIVING CREDIT AND OVERDRAFT FROM FOREIGN BANKS

The cost of receiving credit and overdraft from foreign banks amounted to Rls. 83,772.4 million as follows:

COST OF RECEIVING CREDIT AND OVERDRAFT FROM FOREIGN BANKS
(million rials)

	Year end	
	1381	1382
Correspondents	1,718.5	516.2
Overdraft	55,436.5	46,492.4
Bonds	7,829.5	36,763.8
Clearing	2,862.7	0
Total	**67,847.2**	**83,772.4**

REWARDS PAID ON BANKS' LEGAL DEPOSITS

As approved at the 788th session of MCC in 15.12.1371, Rls. 658,407.6 million was paid as rewards on legal deposit in 1382.

PROFIT PAID ON CBI'S PARTICIPATION PAPERS

The profit accrued to CBI's participation papers amounted to Rls. 2,906,713.9 million in 1382 and this was considered in the accounts.

PROFIT PAID ON SPECIAL TERM DEPOSITS

The profit paid on banks' special term deposits amounted to Rls. 962,460.3 million in 1382, Rls. 948,160.3 million of which was projected as banks' special term deposit and Rls. 14,300 million related to Bank of Industry and Mine special term deposit.

COMMISSIONS PAID ON BANKING SERVICES

The commission paid on banking services by the CBI amounted to Rls. 322,703.7 million, as shown in the following table:

COMMISSIONS PAID ON BANKING SERVICES (million rials)

	Year end	
	1381	1382
Paid to banks for government accounts	270,000.0	310,000.0
Purchase of notes from abroad	3,624.6	2,916.7
Paid to correspondents	7,053.2	9,787.0
Total	**280,677.8**	**322,703.7**

PERSONNEL AND ADMINISTRATIVE EXPENDITURES

Personnel and administrative expenditures in 1382, and its comparison with the approved budget figures are shown in the following table:

PERSONNEL AND ADMINISTRATIVE EXPENDITURES (million rials)

	1382	
	Approved budget	Performance
Personnel	350,720.0	306,960.7
Administrative	324,340.8	255,752.1
Total	**675,060.8**	**562,712.8**

CURRENCY ISSUANCE AND MISCELLANEOUS PUBLISHING EXPENDITURES

The total currency issuance and miscellaneous publishing expenditures in the review year was Rls. 180,753 million, which was mainly related to issuance of notes and coins.

DEPRECIATION COST

In 1382, a sum of Rls. 61,250.9 million was allocated as depreciation cost for movable and immovable assets, as follows:

DEPRECIATION COST
(million rials)

	1381	1382
Movable assets	11,744.6	15,278.5
Immovable assets	41,930.2	45,972.4
Total	**53,674.8**	**61,250.9**

A sum of Rls. 14,160.4 million related to depreciation cost of movable and immovable assets of the Security Print and Mint Organization was deposited into currency issuance account.

OTHER EXPENDITURES

Other expenditures amounted to Rls. 56,526.7 million as follows:

OTHER EXPENDITURES

(million rials)

	Year end	
	1381	1382
Implementation of Note 2, Budget Law for 1381	20,770.5	0
Note 5, Budget Law for 1382	0	56,000.0
Gold transportation and insurance	2,686.4	1.4
Euro bonds issuance	1,791.2	525.3
Total	**25,248.1**	**56,526.7**

PROFIT APPROPRIATION

The net profit of the CBI in 1382 amounted to Rls. 1,182,221,188,343. The net profit of Rls. 75,081 was carried forward and added to the above figure, bringing the total amount to Rls. 1,182,221,263,424 which was proposed to be appropriated as follows:

PROFIT APPROPRIATION	(rials)
Income tax	305,709,457,510
Transfer to legal reserve	118,222,118,834
Transfer to contingency reserve	397,712,000,000
Share of the government in the net profit	354,666,000,000
0.5% allocated to low-income groups for provision of housing	5,911,105,942
Balance of net profit carried forward	581,138
Total	**1,182,221,263,424**

Annex 104

Balance Sheet and Profit and Loss Account of Central Bank of the Islamic Republic of Iran as at the end of 1383 (20 March 2004 - 20 March 2005)

BALANCE SHEET
AND
PROFIT AND LOSS ACCOUNT
OF
CENTRAL BANK OF THE
ISLAMIC REPUBLIC OF IRAN

As at the end of 1383

(March 20, 2005)

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BALANCE SHEET
AS AT END OF 1383 (March 20, 2005)

March 19, 2004	ASSETS	March 20, 2005
	Note cover:	
42,500,000,000,000	Gold, foreign exchange, quota & subscription to international agencies and government obligations	48,500,000,000,000
737,299,859,293	Notes and coins held at the Central Bank	416,160,238,542
3,267,066,802,750	Free gold holdings	2,869,877,267,494
194,398,615,627,348	Foreign exchange assets	279,030,826,749,766
	Loans and credits to:	
84,869,398,163,064	Government	76,783,867,484,381
18,898,088,723,934	Government institutions and corporations	20,431,497,036,650
0	Public institutions and corporations	0
18,468,138,755,809	Banks	15,447,156,291,600
5,074,091,501,111	Government revolving funds kept with banks	6,046,071,467,276
6,605,129,636,957	Government securities	4,423,305,328,387
1,046,364,710,313	Fixed assets (less accumulated depreciation)	1,141,531,549,383
2,396,640,374,761	Other assets	2,160,666,562,611
378,260,834,155,340		**457,250,959,976,090**
14,740,937,897,403	Customers' undertakings regarding opened letters of credit and guarantees	16,344,715,451,806
393,001,772,052,743		**473,595,675,427,896**
430,904,539,548	Assets of the Central Bank Employees' Retirement Fund	641,633,733,283
34,822,877,078	Assets of the Central Bank Employees' Savings Fund	42,725,134,391
25,067,193,090	Assets of the Central Bank Employees' Cooperation Fund	48,606,911,638
393,492,566,662,459		**474,328,641,207,208**

Executive Board

Ebrahim Sheibany
Governor

Mohammad Javad	Heshmatollah	Mohammad Jaafar	Akbar	Alireza
Vahhaji	Azizian	Mojarrad	Komijani	Shirani
Deputy Governor	Secretary General	Vice-Governor	Vice-Governor	Vice-Governor

AMOUNT IN RIALS

March 19, 2004	LIABILITIES	March 20, 2005
42,500,000,000,000	Notes issued	48,500,000,000,000
342,923,384,609	Coins issued	393,512,378,609
16,649,704,000,000	Central Bank's Participation Papers	20,250,298,000,000
	Deposits:	
124,977,653,859,106	Government: sight	154,216,037,621,973
7,612,904,424,643	Government institutions & corporations: demand	8,696,572,583,927
1,616,316,751,438	Non-government public institutions & corporations: demand	1,635,618,189,040
	Banks and credit institutions:	
76,301,509,476,000	Legal	95,570,191,098,000
6,123,072,214,649	Demand	6,361,593,389,965
0	Special term deposits	0
261,110,306,757	Advance payment on letters of credit	149,305,262,878
3,969,605,416,957	Special	1,787,781,108,387
86,655,297,414,363		**103,868,870,859,230**
15,395,916,548,927	Other deposits	20,439,154,073,942
305,709,457,510	Income tax	455,676,130,202
354,666,000,000	Government's share in net profit	906,178,000,000
50,798,191,475,225	Other liabilities	46,619,102,116,923
800,000,000,000	Capital	1,200,000,000,000
478,089,838,776	Legal reserves	780,149,355,172
403,167,638,656	Contingent reserves	1,344,746,638,656
29,370,292,780,949	Foreign exchange assets' and liabilities' revaluation reserve	47,945,043,905,741
581,138	Net profit carried forward	122,675
378,260,834,155,340		**457,250,959,976,090**
14,740,937,897,403	Letters of credit and guarantees	16,344,715,451,806
393,001,772,052,743		**473,595,675,427,896**
430,904,539,548	Liabilities of the Central Bank Employees' Retirement Fund	641,633,733,283
34,822,877,078	Liabilities of the Central Bank Employees' Savings Fund	42,725,134,391
25,067,193,090	Liabilities of the Central Bank Employees' Cooperation Fund	48,606,911,638
393,492,566,662,459		**474,328,641,207,208**

Supervisory Board

Mahmood Reza	Mohammad Javad	Hassan
Abaei Koopaei	Saffar Soflaei	Haddadi Shah
Member	Chairman	Member

PROFIT AND LOSS ACCOUNT
AS AT END OF 1383 (March 20, 2005)

2003/04		2004/05
2,793,767,933,491	Returns on deposits and investment abroad	4,782,352,993,890
1,258,382,850,975	Profit received from facilities extended	1,207,808,446,258
116,853,860,434	Commission received for banking services	114,722,579,054
1,528,919,094,817	Result of foreign exchange and gold transactions	1,594,424,827,395
948,160,289,388	Profit paid on special participation papers	1,507,180,467,280
378,044,993,994	Other incomes	1,929,601,453,200
7,024,129,023,099		**11,136,090,767,077**

Appropriation Account

1,182,221,188,343	Net Profit	3,020,595,163,955
75,081	Net profit carried forward	581,138
1,182,221,263,424		**3,020,595,745,093**

AMOUNT IN RIALS

2003/04		2004/05
83,772,421,893	Cost of receiving credit and overdraft from foreign banks	63,807,830,635
658,407,634,134	Rewards paid on banks' legal deposit	832,530,094,302
2,906,713,860,249	Profit paid on Central Bank's Participation Papers	3,421,364,204,296
962,460,289,388	Profit paid on banks' special deposits	1,507,180,467,280
322,703,675,286	Commission paid on banking services	367,792,316,381
46,606,639,000	Result of foreign exchange revaluation-adjustment	848,107,837,595
562,712,766,943	Administrative and personnel expenditures	698,144,438,367
180,752,940,145	Money issue and miscellaneous printing expenditures	317,127,845,627
61,250,940,951	Accumulated Depreciation of fixed assets	58,874,795,210
56,526,666,767	Other expenditures	565,773,429
1,182,221,188,343	Net profit	3,020,595,163,955
7,024,129,023,099		**11,136,090,767,077**
305,709,457,510	Income tax	455,676,130,202
118,222,118,834	Transfer to legal reserve	302,059,516,396
397,712,000,000	Transfer to contingency reserve	1,341,579,000,000
354,666,000,000	Government's share in net profit	906,178,000,000
5,911,105,942	0.5% of net profit allocated to low-income groups for housing provision	15,102,975,820
581,138	Net profit carried forward	122,675
1,182,221,263,424		**3,020,595,745,093**

DETAILS OF THE BALANCE SHEET AS AT THE END OF 1383 (March 20, 2005)

A. ASSETS

NOTE ISSUE AND NOTE COVER

On the basis of the currency needs of the country and according to the monetary and banking regulations, Rls. 6,000,000 million worth of new notes were issued and the total notes in circulation amounted to Rls. 48,500,000 million by Esfand 29,1383.

NOTES AND COINS HELD AT THE CBI

Notes and coins held at the CBI as compared to the corresponding figures of the previous year are as follows:

NOTES AND COINS HELD AT THE CBI (million rials)

	Year-end	
	1382	1383
Notes	737,235.8	416,131.7
Coins	64.1	28.5
Total	**737,299.9**	**416,160.2**

LOANS AND CREDITS

Total loans and credits extended to the government, its affiliated corporations and institutions, public enterprises and banks amounted to Rls. 112,662,520.8 million. This was after deducting Rls. 12,789,674.6 million as note cover and taking into account other adjustments.

LOANS AND CREDITS EXTENDED (million rials)

	Year-end	
	1382▲	1383
Government	92,704,978.2	89,573,542.1
Less blocked debt in note cover	7,835,580.0	12,789,674.6
	84,869,398.2	**76,783,867.5**
Government corporations and institutions	18,898,088.7	20,431,497.0
Banks	18,468,138.8	15,447,156.3
Total	**122,235,625.7**	**112,662,520.8**

GOVERNMENT REVOLVING FUND KEPT WITH BANKS

On the basis of the agency contracts between the CBI and other banks, 12 percent of the balance of governmental accounts with each bank is kept as revolving fund. The total amount of the revolving fund was Rls. 6,046,071.5 million at the end of Esfand, 1383.

GOVERNMENT SECURITIES

Government securities at the end of Esfand, 1383 was Rls. 4,423,305.3 million, which was reduced by Rls. 2,181,824.3 million as compared with the previous year.

FIXED ASSETS

Fixed assets at the end of 1383 are as follows:

FIXED ASSETS (million rials)

	1382			1383		
	Before depreciation	Depreciation allowance	After depreciation	Before depreciation	Depreciation allowance	After depreciation
Immovable assets	1,201,757.7	180,980.2	1,020,777.5	1,411,259.0	294,650.5	1,116,608.5
Movable assets	93,369.4	67,782.2	25,587.2	108,443.4	83,520.4	24,923.0
Total	**1,295,127.1**	**248,762.4**	**1,046,364.7**	**1,519,702.4**	**378,170.9**	**1,141,531.5**

OTHER ASSETS

Other assets held at the CBI at end of 1383 amounted to Rls. 2,160,666.6 million, as follows:

OTHER ASSETS (million rials)

	Year-end	
	1382	1383
Silver holdings	845.0	4,193.7
Stamp holdings	487.5	471.9
Coin holdings	25,498.0	129,812.8
Investment in other institutions	208,284.0	135,788.6
Ashkanian Dynasty coins	8.7	8.7
Miscellaneous assets	458,232.0	523,831.0
Revolving funds	890.6	970.7
Prepayments	39,990.1	30,706.5
Temporary debtors' suspense account	327,846.6	307,617.3
Provisionals	0	6,393.5
Projects to be completed	179,352.0	108,482.1
Result of conversion of foreign facilities	743,866.4	352,508.9
Claims for long-term facilities	411,339.5	352,508.9
Total	**2,396,640.4**	**2,160,666.6**

CUSTOMERS' UNDERTAKING FOR OPENED LETTERS OF CREDIT & GUARANTEES

The total customers' undertaking for opened letters of credit and guarantees was Rls. 16,344,715.5 million at end of 1383, as follows:

CUSTOMERS' UNDERTAKING FOR OPENED LETTERS OF CREDIT AND GUARANTEES

(million rials)

	Year-end	
	1382	1383
LCs opened in rials	11,068,027.7	13,913,241.4
Guarantees received from correspondents	469,621.1	495,538.0
LCs opened in foreign exchange	3,203,289.1	1,935,936.1
Total	**14,740,937.9**	**16,344,715.5**

B. LIABILITIES

NOTES ISSUED

New notes issued in 1383 totaled Rls. 6,000,000 million. Thus, total issued notes amounted to Rls. 48,500,000 million at the end of 1383.

COINS ISSUED

A total of Rls. 50,589.0 million coins were issued in 1383, bringing the total coins issued to Rls. 393,512.4 million at the end of 1383.

According to the Monetary and Banking Law and the advisory letter of the Ministry of Economic Affairs and Finance, the ceiling for the issuance of coins was determined at Rls. 700 billion.

CBI'S PARTICIPATION PAPERS

Following the approval of the MCC on 29.2.1381, and in accordance with implementation of the monetary policies as stipulated in the 3rd FYDP Law, the CBI was authorized to issue participation papers which commenced on 17.12.1379.

At the end of 1383 (March 20, 2005) the total amount of outstanding participation papers was Rls. 20,250,298.0 million.

DEPOSITS

Total sight deposits of the government, public corporations and institutions, non-governmental public enterprises and institutions, banks and non-bank credit institutions, together with other deposits amounted to Rls. 288,856,253.4 million at the end of 1383, as is shown in the following table:

DEPOSITS (million rials)

	Year-end	
	1382	1383
Government	**124,977,653.9**	**154,216,037.6**
Government corporations and institutions	**7,612,904.4**	**8,696,572.6**
Non-governmental public enterprises & institutions	**1,616,316.8**	**1,635,618.2**
Bauks and non-bauk credit institutious:		
Legal	76,301,509.5	95,570,191.1
Sight	6,123,072.2	6,361,593.4
Special	3,969,605.4	1,787,781.1
LCs and order registration	261,110.3	149,305.3
Sub-total	**86,655,297.4**	**103,868,870.9**
Others	**15,395,916.6**	**20,439,154.1**
Total	**236,258,089.1**	**288,856,253.4**

According to Amended Article 60 of the 3rd FYDP Law, the government deposited Rls. 83,254,334.5 million into the OSF, sum of which equalled $9,478 million.

INCOME TAX

Income tax of the CBI on the basis of Amended Direct Tax Law approved in 1380 was Rls. 455,676.1 million for 1383.

SHARE OF GOVERNMENT IN NET PROFIT

According to the Monetary and Banking Law, the remainder of profit, after profit appropriation according to Article 25 of the said Law, belongs to the government. The government's share in the net profit of the CBI in 1383 amounted to Rls. 906,178 million.

OTHER LIABILITIES

Other liabilities of the CBI amounted to Rls. 46,619,102.2 million at end of 1383, as follows:

OTHER LIABILITIES

(million rials)

	Year-end	
	1382	1383
Documents payable	17,703,615.8	17,804,922.5
SDR allocations	3,023,758.7	3,296,781.7
Foreign exchange drafts (payable in rials)	6,449.0	6,715.8
Sight deposits of departments within the bank	1,314,495.2	1,355,228.6
Creditors' suspense account in foreign exchange	4,396,056.4	4,088,343.7
Creditors' suspense account in rial	2,968,139.8	3,314,063.7
CBI's receipts in connection with the Algerian Decree	172,976.6	105,155.7
Liabilities related to projects to be completed	17,022.4	18,779.9
Short-term facilities extended by foreign banks	120,105.8	26,137.6
Prepayment in foreign exchange	5,105,797.1	2,949,562.4
Long-term facilities extended by foreign banks	1,897,325.3	1,669,307.6
Foreign exchange facilities	3,740,538.2	244,000.0
Issued Eurobonds	10,326,000.0	11,725,000.0
	50,792,280.3	**46,603,999.2**
0.5% allocated to low- income groups for provision of housing	5,911.1	15,103.0
Total	**50,798,191.4**	**46,619,102.2**

A sum of Rls. 3,296,781.7 million equal to SDR 244,056,000 was related to Iran's quota in IMF.

CAPITAL

The CBI's capital amounted to Rls. 1,200,000 million at the end of 1383, which increased by Rls. 400,000 million as compared to the previous year.

LEGAL RESERVE

Based on Monetary and Banking Law, 10 percent of net profit of CBI is required to be held in a legal reserve account, so that the total legal reserve will equal the CBI's capital. The legal reserve for 1383 was Rls. 302,059.5 million, which in addition to the Rls. 478,089.8 million held as legal reserve at the end of the previous year, brought the total legal reserve to Rls. 780,149.3 million at the end of 1383.

CONTINGENCY RESERVE

According to the Monetary and Banking Law, each year an amount is to be held in the contingency reserve account based on proposal of the CBI and approval of the General Assembly. The contingency reserve out of net profit was Rls. 1,341,579.0 million, in 1383, considering sale of bank's shares in National Informatics Corporation.

RESERVE FOR FOREIGN EXCHANGE CONVERSION

Foreign exchange assets and liabilities conversion reserve in 1383 amounted to Rls. 47,945,043.9 million at 27.12.1383 rates. Moreover, till 31.3.1384 Rls. 10,863,539.5 million for changes of currencies parity, was deducted from mentioned amount.

RESERVE FOR FOREIGN EXCHANGE CONVERSION (million rials)

	Year-end 1383
Gold	1,162,598.7
Quota and subscription to international institutions	1,403,867.7
Foreign exchange holdings	45,520,528.6
Clearing accounts	-141,951.1
Total	**47,945,043.9**

DETAILS OF THE PROFIT AND LOSS ACCOUNT (Esfand 29,1383)

A. REVENUES

REVENUE RECEIVED FROM DEPOSITS AND INVESTMENT ABROAD

The income received from returns on deposits and investment abroad amounted to Rls. 4,782,353.0 million, as follows:

REVENUE RECEIVED FROM DEPOSITS AND INVESTMENT ABROAD

(million rials)

	Year-end	
	1382	1383
Foreign exchange term deposits	1,329,802.6	1,958,167.2
Foreign exchange sight deposits and special & clearing accounts	68,037.2	108,894.0
Foreign bonds	3,373,634.7	4,074,488.7
Algerian Decree	12,168.0	88,576.3
SDR	51,562.9	71,546.1
Profit of OSF account	-2,041,437.5	-1,519,319.3
Total	**2,793,767.9**	**4,782,353.0**

PROFIT RECEIVED FROM EXTENDED FACILITIES

The profit received from extended facilities in 1383 amounted to Rls. 1,207,808.4 million, as follows:

PROFIT RECEIVED FROM EXTENDED FACILITIES

(million rials)

	Year-end	
	1382	1383
Government	1,629.5	9,418.6
Government corporations and institutions	77,296.1	153,547.5
Banks	1,107,646.4	1,019,394.3
Algerian Decree	45,930.3	25,448.0
Non-governmental public institutions and corporations	25,880.5	0
Total	**1,258,382.8**	**1,207,808.4**

BANKING FEES AND COMMISSIONS RECEIVED

Banking fees and commissions received totaled Rls. 114,722.6 million, as follows:

BANKING FEES AND COMMISSIONS RECEIVED (million rials)

	Year-end	
	1382	1383
Letters of credit	105,752.2	103,068.9
Foreign exchange bills	10.1	7.3
Foreign exchange drafts	10,438.5	10,994.5
Miscellaneous	653.1	651.9
Total	**116,853.9**	**114,722.6**

RESULT OF FOREIGN EXCHANGE AND GOLD TRANSACTIONS

The income received from foreign exchange and gold transactions amounted to Rls. 746,317.0 million as follows:

RESULT OF FOREIGN EXCHANGE AND GOLD TRANSACTIONS

(million rials)

	Year-end	
	1382	1383
Foreign exchange losses	336,385.1	678,032.7
Profit derived from international bonds transactions	1,192,534.0	916,392.1
Revaluation of international bonds	-46,606.6	-848,107.8
Total	**1,482,312.5**	**746,317.0**

PROFIT OF SPECIAL PARTICIPATION PAPERS

An amount of Rls. 1,507,180.5 million was projected as profit of government special participation papers purchased by the Bank in 1383 and included in the accounts.

OTHER INCOMES

Other incomes of the CBI amounted to Rls. 1,929,601.5 million as is shown in the following table:

OTHER INCOMES (million rials)

	Year-end	
	1382	1383
Profit from investment in other institutions	123,178.2	35,732.6
Miscellaneous revenues of the Print and Mint Organization	79,916.8	143,691.9
Miscellaneous revenues of the factory producing securities' paper-Takab	1,093.3	680.3
Revenue received from sale of gold and jewelry, gold coin & bar	166,548.8	402,434.2
Revenue received from sale of National Informatics Corporation's shares	0	1,326,190.5
Miscellaneous	7,307.9	20,872.0
Total	**378,045.0**	**1,929,601.5**

B. EXPENDITURES

COST OF RECEIVING CREDIT AND OVERDRAFT FROM FOREIGN BANKS

The cost of receiving credit and overdraft from foreign banks amounted to Rls. 63,807.8 million as follows:

COST OF RECEIVING CREDIT AND OVERDRAFT FROM FOREIGN BANKS

(million rials)

	Year-end	
	1382	1383
Correspondents	516.2	205.5
Overdraft	46,492.4	63,602.3
Bonds	36,763.8	0
Total	**83,772.4**	**63,807.8**

REWARDS PAID ON BANKS' LEGAL DEPOSITS

As approved at the 788th session of MCC on 15.12.1371, Rls. 832,530.1 million was paid as rewards on legal deposit in 1383.

PROFIT PAID ON CBI'S PARTICIPATION PAPERS

The profit accrued to CBI's participation papers amounted to Rls. 3,421,364.2 million in 1383 and this was considered in the accounts.

PROFIT PAID ON SPECIAL TERM DEPOSITS

The profit paid on banks' special term deposits amounted to Rls. 1,507,180.5 million in 1383.

COMMISSIONS PAID ON BANKING SERVICES

The commission paid on banking services by the CBI amounted to Rls. 367,792.3 million, as shown in the following table:

COMMISSIONS PAID ON BANKING SERVICES (million rials)

	Year-end	
	1382	1383
Paid to banks for government accounts	310,000	350,000
Purchase of notes from abroad	2,916.7	4,185.7
Paid to correspondents	9,787.0	13,606.6
Total	**322,703.7**	**367,792.3**

PERSONNEL AND ADMINISTRATIVE EXPENDITURES

Personnel and administrative expenditures in 1383, and its comparison with the approved budget figures are shown in the following table:

PERSONNEL AND ADMINISTRATIVE EXPENDITURES (million rials)

	1383	
	Approved budget	Performance
Personnel	454,644.9	419,140.5
Administrative	320,509.6	279,003.9
Total	**775,154.5**	**698,144.4**

CURRENCY ISSUANCE AND MISCELLANEOUS PUBLISHING EXPENDITURES

The total currency issuance and miscellaneous publishing expenditures were Rls. 317,127.9 million, in the review year, mainly related to issuance of notes and coins.

DEPRECIATION COST

In 1383, a sum of Rls. 58,874.8 million was allocated as depreciation cost for movable and immovable assets, as follows:

DEPRECIATION COST

(million rials)

	1382	1383
Movable assets	15,278.5	14,584.0
Immovable assets	45,972.4	44,290.8
Total	**61,250.9**	**58,874.8**

A sum of Rls. 61,972.0 million related to depreciation cost of movable and immovable assets and machinery of the Security Print and Mint Organization was deposited into currency issuance account.

OTHER EXPENDITURES

Other expenditures amounted to Rls. 565.8 million as follows:

OTHER EXPENDITURES

(million rials)

	Year-end	
	1382	1383
Implementation of Note 5, Budget Law for 1382	56,000.0	0
Gold transportation and insurance	1.4	5.8
Eurobonds issuance	525.3	560.0
Total	**56,526.7**	**565.8**

PROFIT APPROPRIATION

The net profit of the CBI in 1383 amounted to Rls. 3,020,595,163,955. The net profit of Rls. 581,138 was carried forward and added to the above figure, bringing the total amount to Rls. 3,020,595,745,093 which was proposed to be appropriated as follows:

PROFIT APPROPRIATION	(rials)
Income tax	455,676,130,202
Transfer to legal reserve	302,059,516,396
Transfer to contingency reserve	1,341,579,000,000
Share of the government in the net profit	906,178,000,000
0.5% allocated to low-income groups for provision of housing	15,102,975,820
Balance of net profit carried forward	122,675
Total	**3,020,595,745,093**

Annex 105

Balance Sheet and Profit and Loss Account of Central Bank of the Islamic Republic of Iran as at the end of 1384 (21 March 2005 - 20 March 2006)

BALANCE SHEET
AND
PROFIT AND LOSS ACCOUNT
OF
CENTRAL BANK OF THE
ISLAMIC REPUBLIC OF IRAN

As at the end of 1384

(March 20, 2006)

BALANCE SHEET
AS AT THE END OF 1384 (March 20, 2006)

March 20, 2005	ASSETS	March 20, 2006
48,500,000	Note cover including gold, foreign exchange, quota and subscription to international institutions	56,000,000
416,160	Notes and coins held at the Central Bank	821,161
2,869,877	Free gold holdings	10,701,630
279,030,827	Foreign exchange assets	397,207,233
	Loans and credits to:	
76,783,867	Government	62,882,542
20,431,497	Government corporations and institutions	21,957,428
15,447,156	Banks	25,530,285
6,046,071	Government revolving funds kept with banks	10,385,923
4,423,305	Government securities	2,635,703
1,141,532	Fixed assets (less accumulated depreciation)	1,150,823
2,160,667	Other assets	2,041,671
457,250,960		**591,314,398**
16,344,715	Customers' undertakings regarding opened letters of credit and guarantees	15,949,254
473,595,675		**607,263,652**
641,634	Assets of the Central Bank Employees' Pension Fund	858,310
42,725	Assets of the Central Bank Employees' Savings Fund	51,943
48,607	Assets of the Central Bank Employees' Cooperative Fund	62,599
474,328,641		**608,236,504**

Executive Board

Ebrahim Sheibany
Governor

Mohammad Javad Vahhaji	Heshmatollah Azizian	Mohammad Jaafar Mojarrad	Akbar Komijani	Mohammad Reza Shojaeddini
Deputy Governor	Secretary General	Vice-Governor	Vice-Governor	Vice-Governor

AMOUNT IN MILLION RIALS

March 20, 2005	LIABILITIES	March 20, 2006
48,500,000	Notes issued	56,000,000
393,512	Coins issued	502,178
20,250,298	Central Bank's participation papers	10,769,076
	Deposits:	
154,216,038	Government: sight	224,448,181
8,696,573	Government corporations and institutions: sight	16,875,316
1,635,618	Non-government public institutions and corporations: sight	1,548,999
	Banks and non-bank credit institutions:	
95,570,191	Legal	129,085,954
6,361,593	Sight	29,345,628
0	Special term deposits	7,512,626
149,305	Advance payment on letters of credit	112,479
1,787,781	Special	0
103,868,871		**166,056,688**
20,439,154	Other deposits	24,180,890
455,676	Income tax	1,368,895
906,178	Share of government in net profit	2,163,066
46,619,102	Other liabilities	41,069,858
1,200,000	Capital	2,500,000
780,149	Legal reserve	1,320,916
1,344,747	Contingency reserve	1,352,308
47,945,044	Foreign exchange assets' and liabilities' revaluation reserve	41,158,027
0	Net profit carried forward	1
457,250,960		**591,314,398**
16,344,715	Letters of credit and guarantees	15,949,254
473,595,675		**607,263,652**
641,634	Liabilities of the Central Bank Employees' Pension Fund	858,310
42,725	Liabilities of the Central Bank Employees' Savings Fund	51,943
48,607	Liabilities of the Central Bank Employees' Cooperative Fund	62,599
474,328,641		**608,236,504**

PROFIT AND LOSS ACCOUNT
AS AT THE END OF 1384 (March 20, 2006)

2004/05		2005/06
4,782,353	Returns on deposits and investment abroad	7,870,343
1,207,808	Profit received from extended facilities	2,551,854
114,723	Commission received for banking services	115,939
1,594,425	Result of foreign exchange and gold transactions	911,817
1,507,180	Profit paid on special participation papers	24,148
1,929,601	Other incomes	675,121
11,136,091		**12,149,222**
3,020,595	Net profit	5,407,667
1	Net profit carried forward	0
3,020,596		**5,407,667**

Executive Board

Ebrahim Sheibany
Governor

Mohammad Javad	Heshmatollah	Mohammad Jaafar	Akbar	Mohammad Reza
Vahhaji	Azizian	Mojarrad	Komijani	Shojaeddini
Deputy Governor	Secretary General	Vice-Governor	Vice-Governor	Vice-Governor

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AMOUNT IN MILLION RIALS

2004/05		2005/06
63,808	Cost of receiving credit and overdraft from foreign banks	90,559
832,530	Rewards paid on banks' legal deposits	1,076,750
3,421,364	Profit paid on Central Bank's participation papers	2,066,240
1,507,180	Profit paid on banks' special deposits	72,774
367,792	Commission paid on banking services	380,687
848,108	Result of foreign exchange revaluation-adjustment	1,738,265
698,144	Personnel and administrative expenditures	761,772
317,128	Money issue and miscellaneous printing expenditures	486,127
58,875	Depreciation cost of fixed assets	60,993
566	Other expenditures	7,388
3,020,595	Net profit	5,407,667
11,136,091		**12,149,222**

APPROPRIATION ACCOUNT

455,676	Income tax	1,368,895
302,060	Transfer to legal reserve	540,767
1,341,579	Transfer to contingency reserve	1,307,561
906,178	Share of government in net profit	2,163,066
15,103	0.5 percent of net profit allocated to low-income groups for housing provision	27,378
0	Net profit carried forward	1
3,020,596		**5,407,667**

DETAILS OF BALANCE SHEET AS AT THE END OF 1384 (March 20, 2006)

A. ASSETS

NOTE ISSUE AND NOTE COVER

On the basis of the currency needs of the country and according to the monetary and banking regulations, Rls. 7,500,000 million worth of new notes were issued and the total notes in circulation amounted to Rls. 56,000,000 million by the end of 1384.

NOTES AND COINS HELD AT THE CBI

Notes and coins held at the CBI as compared with the corresponding figures of the previous year are as follows:

NOTES AND COINS HELD AT THE CBI (million rials)

	Year-end	
	1383	1384
Notes	416,131.7	821,125.5
Coins	28.5	35.3
Total	**416,160.2**	**821,160.8**

LOANS AND CREDITS

Total loans and credits extended to the government, its affiliated corporations and institutions, and banks amounted to Rls. 110,370,254.3 million. This was after deducting Rls. 17,803,531.0 million as note cover and taking into account other adjustments.

LOANS AND CREDITS EXTENDED (million rials)

	Year-end	
	1383	1384
Government	89,573,542.1	80,686,072.7
Less blocked debt in note cover	(12,789,674.6)	(17,803,531.0)
	76,783,867.5	**62,882,541.7**
Government corporations and institutions	20,431,497.0	21,957,428.0
Banks	15,447,156.3	25,530,284.6
Total	**112,662,520.8**	**110,370,254.3**

GOVERNMENT REVOLVING FUNDS KEPT WITH BANKS

On the basis of the agency contracts between the CBI and other banks, 12 percent of the balance of governmental accounts with each bank is kept as revolving fund. The total amount of the revolving fund was Rls. 10,385,923.0 million at the end of 1384.

GOVERNMENT SECURITIES

Government securities were worth Rls. 2,635,703.0 million by the end of 1384, which was reduced by Rls. 1,787,602.3 million as compared with the previous year-end.

FIXED ASSETS

Fixed assets at the end of 1384 are as follows:

FIXED ASSETS (million rials)

	Immovable assets	Movable assets	**Total**
Total price			
01.01.1384	1,411,259.0	108,443.4	**1,519,702.4**
Increase	123,160.7	31,177.8	**154,338.5**
Decrease	0	(165.4)	**(165.4)**
	1,534,419.7	**139,455.8**	**1,673,875.5**
Accumulated depreciation			
01.01.1384	294,650.5	83,520.4	**378,170.9**
Depreciation in 1384	128,961.5	16,085.8	**145,047.3** (1)
Adjustments	0	(165.4)	**(165.4)**
Total on 29.12.1384	**423,612.0**	**99,440.8**	**523,052.8**
Net book value			
On 01.01.1384	1,116,608.5	24,923.0	**1,141,531.5**
On 29.12.1384	**1,110,807.7**	**40,015.0**	**1,150,822.7**

(1) A sum of Rls. 15,388.5 out of depreciation was included in the total price of assets for projects to be completed and paper stock. CBI's fixed assets were adequately insured during the review year.

OTHER ASSETS

Other assets held at the CBI at end of 1384 amounted to Rls. 2,041,671.4 million, as follows:

OTHER ASSETS (million rials)

	Year-end	
	1383	1384
Silver holdings	4,193.7	962.7
Stamp holdings	471.9	455.7
Coin holdings	129,812.8	18,660.6
Investment in other institutions	135,788.6	134,188.6
Ashkanian Dynasty coins	8.7	8.7
Miscellaneous assets	523,831.0	437,902.8
Revolving funds	970.7	492.2
Prepayments	30,706.5	28,441.1
Temporary debtors' suspense account	307,617.3	694,267.8
Provisionals	6,393.5	67.3
Projects to be completed	108,482.1	104,456.0
Result of conversion of foreign facilities	559,880.9	319,349.6
Claims for long-term facilities	352,508.9	302,418.3
Total	**2,160,666.6**	**2,041,671.4**

CUSTOMERS' UNDERTAKINGS REGARDING OPENED LETTERS OF CREDIT AND GUARANTEES

Total customers' undertakings regarding opened letters of credit and guarantees were Rls. 15,949,253.9 million at the end of 1384, as follows:

CUSTOMERS' UNDERTAKINGS REGARDING OPENED LETTERS OF CREDIT AND GUARANTEES (million rials)

	Year-end	
	1383	1384
LCs opened in rials	13,913,241.4	11,704,334.3
Guarantees received from correspondents	495,538.0	284,627.9
LCs opened in foreign exchange	1,935,936.1	3,960,291.7
Total	**16,344,715.5**	**15,949,253.9**

B. LIABILITIES

NOTES ISSUED

New notes issued in 1384 totaled Rls. 7,500,000 million. Thus, total issued notes amounted to Rls. 56,000,000 million at the end of 1384.

COINS ISSUED

A total of Rls. 108,665.2 million coins were issued in 1384, bringing the total coins issued to Rls. 502,177.6 million at the end of 1384.

According to the Monetary and Banking Law and the advisory letter of the Minister of Economic Affairs and Finance, the ceiling for the issuance of coins was determined at Rls. 700,000 million.

CBI'S PARTICIPATION PAPERS

Following the approval of the MCC on 29.02.1381, and in accordance with implementation of the monetary policies as stipulated in the 3rd FYDP Law, the CBI was authorized to issue participation papers which commenced on 17.12.1379.

In 1384, based on Parliament's permit, Rls. 15,000,000 million participation papers were issued, of which Rls. 10,769,076.0 million were sold.

DEPOSITS

Total sight deposits of the government, government institutions and corporations, non-government public institutions and corporations, banks and non-bank credit institutions, together with other deposits, amounted to Rls. 433,110,074.1 million at the end of 1384, as is shown in the following table:

DEPOSITS (million rials)

	Year-end	
	1383	1384
Government	154,216,037.6	224,448,181.3
Government corporations and institutions	8,696,572.6	16,875,315.6
Non-government public institutions and corporations	1,635,618.2	1,548,999.2
Banks and non-bank credit institutions:		
Legal	95,570,191.1	129,085,954.4
Sight	6,361,593.4	29,345,628.1
Special	1,787,781.1	0
Special term deposits	0	7,512,626.0
LCs and order registration	149,305.3	112,479.1
	103,868,870.9	**166,056,687.6**
Others	20,439,154.1	24,180,890.4
Total	**288,856,253.4**	**433,110,074.1**

According to Article 1 of the 4th FYDP Law, the government deposited Rls. 96,758,771.4 million into the OSF, the sum of which equaled $10,685.7 million.

INCOME TAX

Income tax of the CBI on the basis of Amended Direct Tax Law approved in 1380 was Rls. 1,368,894.7 million for 1384.

SHARE OF GOVERNMENT IN NET PROFIT

According to the Monetary and Banking Law, the remainder of profit, after profit appropriation according to Article 25 of the said Law, belongs to the government. The government's share in the net profit of the CBI in 1384 amounted to Rls. 2,163,066.0 million. The corresponding figure for the year 1383 was Rls. 906,178.0 million.

OTHER LIABILITIES

Other liabilities of the CBI amounted to Rls. 41,069,858.3 million at the end of 1384, as follows:

OTHER LIABILITIES

(million rials)

	Year-end	
	1383	1384
Documents payable	17,804,922.5	17,804,922.5
SDR allocations	3,296,781.7	3,200,504.0
Foreign exchange drafts (payable in rials)	6,715.8	6,169.7
Sight deposits of departments within the bank	1,355,228.6	1,205,844.6
Creditors' suspense account in foreign exchange	4,088,343.7	3,914,500.2
Creditors' suspense account in rials	3,314,063.7	2,355,787.5
CBI's receipts in connection with the Algerian Decree	105,155.7	86,285.1
Liabilities related to projects to be completed	18,779.9	17,903.0
Short-term facilities extended by foreign banks	26,137.6	0
Prepayment in foreign exchange	2,949,562.4	0
Long-term facilities extended by foreign banks	1,669,307.6	1,429,563.8
Foreign exchange facilities	244,000.0	0
Issued Eurobonds	11,725,000.0	11,021,000.0
	46,603,999.2	**41,042,480.4**
0.5% allocated to low-income groups for provision of housing	15,103.0	27,377.9
Total	**46,619,102.2**	**41,069,858.3**

A sum of Rls. 3,200,504.0 million equal to SDR 244,056,000 was related to Iran's quota in IMF.

CAPITAL

The CBI's capital amounted to Rls. 2,500,000 million at the end of 1384, which increased by Rls. 1,300,000 million as compared with the previous year.

LEGAL RESERVE

Based on Monetary and Banking Law, 10 percent of net profit of CBI is required to be held in a legal reserve account, so that the total legal reserve will equal the CBI's capital. The legal reserve for 1384 was Rls. 540,766.7 million, which, in addition to the Rls. 780,149.3 million held as legal reserve at the end of the previous year, brought the total legal reserve to Rls. 1,320,916.0 million at the end of 1384.

CONTINGENCY RESERVE

According to the Monetary and Banking Law, an amount is to be held in the contingency reserve account each year, based on proposal of the CBI and approval of the General Assembly. The contingency reserve out of net profit was Rls. 1,307,561.0 million in 1384.

RESERVE FOR FOREIGN EXCHANGE CONVERSION

Foreign exchange assets' and liabilities' revaluation reserve in 1384 amounted to Rls. 41,158,027.3 million at 29.12.1384 rates.

RESERVE FOR FOREIGN EXCHANGE CONVERSION

(million rials)

	Year-end	
	1383	1384
Gold	1,162,598.7	1,593,695.7
Quota and subscription to international institutions	1,403,867.7	1,388,654.4
Foreign exchange holdings	45,520,528.6	38,162,254.5
Clearing accounts	(141,951.1)	13,422.7
Total	**47,945,043.9**	**41,158,027.3**

DETAILS OF PROFIT AND LOSS ACCOUNT
(Esfand 29, 1384)

A. REVENUES

RETURNS ON DEPOSITS AND INVESTMENT ABROAD

Returns on deposits and investment abroad amounted to Rls. 7,870,343.2 million, as follows:

RETURNS ON DEPOSITS AND INVESTMENT ABROAD (million rials)

	Year-end	
	1383	1384
Foreign exchange term deposits	1,958,167.2	4,640,506.7
Foreign exchange sight deposits and special & clearing accounts	108,894.0	269,403.1
Foreign bonds	4,074,488.7	4,709,487.3
Algerian Decree	88,576.3	86,754.8
SDR	71,546.1	101,024.7
Certificates of deposit (CDs)	0	4,213.6
Profit of OSF account	(1,519,319.3)	(1,941,047.0)
Total	**4,782,353.0**	**7,870,343.2**

PROFIT RECEIVED FROM EXTENDED FACILITIES

The profit received from extended facilities in 1384 amounted to Rls. 2,551,853.5 million, as follows:

PROFIT RECEIVED FROM EXTENDED FACILITIES (million rials)

	Year-end	
	1383	1384
Government	9,418.6	2,875.6
Government corporations and institutions	153,547.5	754,873.9
Banks	1,019,394.3	1,789,987.8
Algerian Decree	25,448.0	4,116.2
Total	**1,207,808.4**	**2,551,853.5**

COMMISSION RECEIVED FOR BANKING SERVICES

Commission received for banking services totaled Rls. 115,939.4 million, as follows:

COMMISSION RECEIVED FOR BANKING SERVICES (million rials)

	Year-end	
	1383	1384
Letters of credit	103,068.9	104,676.3
Foreign exchange bills	7.3	5.2
Foreign exchange drafts	10,994.5	10,835.0
Miscellaneous	651.9	422.9
Total	**114,722.6**	**115,939.4**

RESULT OF FOREIGN EXCHANGE AND GOLD TRANSACTIONS

The income received from foreign exchange and gold transactions amounted to Rls. 826,447.7 million as follows:

RESULT OF FOREIGN EXCHANGE AND GOLD TRANSACTIONS (million rials)

	Year-end	
	1383	1384
Foreign exchange losses	678,032.7	816,596.4
Profit derived from international bonds transactions	916,392.1	95,220.5
	1,594,424.8	**911,816.9**
Revaluation of international bonds	(848,107.8)	(1,736,792.4)
Revaluation of external treasury documents	0	(1,472.2)
	(848,107.8)	**(1,738,264.6)**
Total	**746,317.0**	**(826,447.7)**

PROFIT PAID ON SPECIAL PARTICIPATION PAPERS

In implementation of Article 93, 3rd FYDP Law, an amount of Rls. 24,148.1 million was projected as profit of government special participation papers purchased by the Bank in 1384 and included in the accounts.

OTHER INCOMES

Other incomes of the CBI amounted to Rls. 675,121.1 million as is shown in the following table:

OTHER INCOMES (million rials)

	Year-end	
	1383	1384
Profit from investment in other institutions	35,732.6	96,660.1
Miscellaneous revenues of the Print and Mint Organization	143,691.9	206,275.6
Miscellaneous revenues of Takab Security Paper Mill	680.3	461.2
Revenue received from sale of gold and jewelry, gold coins & bar	402,434.2	338,591.9
Revenue received from sale of National Informatics Corporation's shares	1,326,190.5	0
Miscellaneous	20,872.0	33,132.3
Total	**1,929,601.5**	**675,121.1**

B. EXPENDITURES

COST OF RECEIVING CREDIT AND OVERDRAFT FROM FOREIGN BANKS

The cost of receiving credit and overdraft from foreign banks amounted to Rls. 90,558.5 million as follows:

COST OF RECEIVING CREDIT AND OVERDRAFT FROM FOREIGN BANKS

(million rials)

	Year-end	
	1383	1384
Correspondents	205.5	800.1
Overdraft	63,602.3	89,758.4
Total	**63,807.8**	**90,558.5**

REWARDS PAID ON BANKS' LEGAL DEPOSITS

As approved at the 788th session of MCC on 15.12.1371, Rls. 1,076,750.4 million was paid as rewards on legal deposits in 1384.

PROFIT PAID ON CBI'S PARTICIPATION PAPERS

The profit accrued to CBI's participation papers amounted to Rls. 2,066,240.5 million in 1384 and this was considered in the accounts. The corresponding figure for 1383 was Rls. 3,421,364.2 million.

PROFIT PAID ON BANKS' SPECIAL DEPOSITS

In implementation of Article 93, 3rd FYDP Law, a total of Rls. 72,774.3 million was paid as profit on bank's special deposits, of which Rls. 24,148.1 million was paid as profit on special deposits and Rls. 48,626.2 million was paid as profit on Bank Melli Iran's term deposits.

COMMISSION PAID ON BANKING SERVICES

The commission paid on banking services by the CBI amounted to Rls. 380,686.5 million, as shown in the following table:

COMMISSION PAID ON BANKING SERVICES (million rials)

	Year-end	
	1383	1384
Paid to banks for government accounts	350,000	360,000
Purchase of notes from abroad	4,185.7	4,341.5
Paid to correspondents	13,606.6	16,345.0
Total	**367,792.3**	**380,686.5**

PERSONNEL AND ADMINISTRATIVE EXPENDITURES

Personnel and administrative expenditures in 1384 and its comparison with the approved budget figures are shown in the following table:

PERSONNEL AND ADMINISTRATIVE EXPENDITURES (million rials)

	1384	
	Approved budget	Performance
Personnel	520,589.6	491,539.6
Administrative	305,839.1	270,232.2
Total	**826,428.7**	**761,771.8**

MONEY ISSUE AND MISCELLANEOUS PRINTING EXPENDITURES

The total money issue and miscellaneous printing expenditures were Rls. 486,127.4 million in the review year, mainly related to the issuance of notes and coins.

DEPRECIATION COST

In 1384, a sum of Rls. 60,993.3 million was allocated as depreciation cost of movable and immovable assets, as follows:

DEPRECIATION COST

(million rials)

	1383	1384
Movable assets	14,584.0	14,115.0
Immovable assets	44,290.8	46,878.3
Total	**58,874.8**	**60,993.3**

Additionally, a sum of Rls. 68,665.5 million related to depreciation cost of movable and immovable assets and machinery of the Print and Mint Organization and Takab

Security Paper Mill was deposited into the currency issuance account, bringing the total depreciation cost of 1384 to Rls. 129,658.8 million.

OTHER EXPENDITURES

Other expenditures amounted to Rls. 7,388.1 million as follows:

OTHER EXPENDITURES (million rials)

	Year-end	
	1383	1384
Implementation of Note 5, Budget Law for 1382	0	6,880.9
Gold transportation and insurance	5.8	27.0
Eurobonds issuance	560.0	480.2
Total	**565.8**	**7,388.1**

APPROPRIATION ACCOUNT

The net profit of the CBI in 1384 amounted to Rls. 5,407,666,741,650. The net profit of Rls. 122,675 was carried forward and added to the above figure, bringing the total amount to Rls. 5,407,666,864,325 which was proposed to be appropriated as follows:

APPROPRIATION ACCOUNT (rials)

Income tax	1,368,894,722,038
Transfer to legal reserve	540,766,674,165
Transfer to contingency reserve	1,307,561,000,000
Share of the government in net profit	2,163,066,000,000
0.5 percent allocated to low-income groups for provision of housing	27,377,894,441
Balance of net profit carried forward	573,681
Total	**5,407,666,864,325**

Annex 106

Balance Sheet and Profit and Loss Account of Central Bank of the Islamic Republic of Iran as at the end of 1385 (21 March 2006 - 20 March 2007)

BALANCE SHEET
AND
PROFIT AND LOSS ACCOUNT
OF
CENTRAL BANK OF THE
ISLAMIC REPUBLIC OF IRAN

As at the end of 1385

(March 20, 2007)

BALANCE SHEET
AS AT THE END OF 1385 (March 20, 2007)

March 20, 2006	ASSETS	March 20, 2007
56,000,000	Note cover including gold, foreign exchange, and quota and subscription to international agencies	67,500,000
821,161	Notes and coins held at the Central Bank	619,880
10,701,630	Free gold holdings	15,766,449
397,207,233	Foreign exchange assets	525,683,887
	Loans and credits to:	
62,882,542	Government	56,378,293
21,957,428	Government institutions and corporations	27,337,394
25,530,284	Banks	40,040,680
110,370,254		**123,756,367**
10,385,923	Government revolving funds kept with banks	14,846,631
2,635,703	Government securities	2,635,703
1,150,823	Fixed assets (less accumulated depreciation)	7,801,091
2,041,671	Other assets	2,121,932
591,314,398		**760,731,940**
15,949,254	Customers' undertakings regarding opened letters of credit and guarantees	19,402,469
607,263,652		**780,134,409**
858,310	Assets of the Central Bank Employees' Pension Fund	1,087,608
51,943	Assets of the Central Bank Employees' Savings Fund	67,031
62,599	Assets of the Central Bank Employees' Cooperative Fund	82,091
608,236,504		**781,371,139**

Executive Board

Ebrahim Sheibany
Governor

Mohammad Javad Vahhaji	Mohammad Jaafar Mojarrad	Akbar Komijani	Mohammad Reza Shojaeddini
Deputy Governor	Vice-Governor	Vice-Governor	Vice-Governor

March 20, 2006	LIABILITIES	AMOUNT IN MILLION RIALS March 20, 2007
56,000,000	Notes issued	67,500,000
502,177	Coins issued	608,969
10,769,076	Central Bank's participation papers	21,565,536
	Deposits:	
224,448,181	Government: sight	245,556,839
16,875,316	Government institutions and corporations: sight	13,754,290
1,548,999	Non-government public institutions and corporations: sight	1,848,537
	Banks and credit institutions:	
129,085,954	Legal	185,965,579
61,151,624	Other deposits	89,717,253
433,110,074		**536,842,498**
1,368,895	Income tax	2,869,345
2,163,066	Share of government in net profit	6,556,974
41,069,858	Other liabilities	45,109,496
0	Retirement benefits	102,471
2,500,000	Capital	10,363,000
1,320,916	Legal reserve	2,460,159
1,352,308	Contingency reserve	869,533
41,158,027	Foreign exchange assets' and liabilities' revaluation reserve	65,883,958
1	Net profit carried forward	1
591,314,398		**760,731,940**
15,949,254	Letters of credit and guarantees	19,402,469
607,263,652		**780,134,409**
858,310	Liabilities of the Central Bank Employees' Pension Fund	1,087,608
51,943	Liabilities of the Central Bank Employees' Savings Fund	67,031
62,599	Liabilities of the Central Bank Employees' Cooperative Fund	82,091
608,236,504		**781,371,139**

PROFIT AND LOSS ACCOUNT
AS AT THE END OF 1385 (March 20, 2007)

2005/06		2006/07
7,870,343	Returns on deposits and investment abroad	13,516,141
2,551,854	Profit received from extended facilities	3,295,717
115,939	Commission received for banking services	174,725
911,817	Result of foreign exchange and gold transactions	1,239,448
24,148	Profit paid on special participation papers	0
675,121	Other incomes	1,571,132
12,149,222		**19,797,163**
5,407,667	Net profit	11,392,437
0	Net profit carried forward	1
5,407,667		**11,392,438**

Executive Board

Ebrahim Sheibany
Governor

Mohammad Javad Vahhaji	Mohammad Jaafar Mojarrad	Akbar Komijani	Mohammad Reza Shojaeddini
Deputy Governor	Vice-Governor	Vice-Governor	Vice-Governor

AMOUNT IN MILLION RIALS

2005/06		2006/07
90,559	Cost of receiving credit and overdraft from foreign banks	129,164
0	Profit paid on foreign exchange accounts	2,792
1,076,750	Rewards paid on banks' legal deposit	1,476,190
2,066,240	Profit paid on Central Bank's participation papers	2,402,064
72,774	Profit paid on banks' special deposits	1,572,698
380,687	Commission paid on banking services	388,750
1,738,265	Result of foreign exchange revaluation-adjustment	918,384
761,772	Personnel and administrative expenditures	840,181
486,127	Money issue and miscellaneous printing expenditures	607,873
60,993	Depreciation cost of fixed assets	38,068
7,388	Other expenditures	28,562
6,741,555		**8,404,726**
5,407,667	Net profit	11,392,437
12,149,222		**19,797,163**

APPROPRIATION ACCOUNT

1,368,894	Income tax	2,869,345
540,767	Transfer to legal reserve	1,139,244
1,307,561	Transfer to contingency reserve	769,487
2,163,066	Share of government in net profit	6,556,974
27,378	0.5 percent of net profit allocated to low-income groups for housing provision	57,387
1	Net profit carried forward	1
5,407,667		**11,392,438**

DETAILS OF BALANCE SHEET AS AT THE END OF 1385 (March 20, 2007)

A. ASSETS

NOTE ISSUE AND NOTE COVER

On the basis of the currency needs of the country and according to the monetary and banking regulations, Rls. 11,500,000 million worth of new notes were issued and the total notes in circulation amounted to Rls. 67,500,000 million by the end of 1385.

NOTES AND COINS HELD AT THE CBI

Notes and coins held at the CBI as compared with the corresponding figures of the previous year are as follows:

NOTES AND COINS HELD AT THE CBI (million rials)

	Year-end	
	1384	1385
Notes	821,125.5	619,772.5
Coins	35.3	108.1
Total	**821,160.8**	**619,880.6**

LOANS AND CREDITS

Total loans and credits extended to the government, its affiliated institutions and corporations, and banks amounted to Rls. 123,756,366.9 million. This was after deducting Rls. 23,789,529.2 million as note cover and taking into account other adjustments.

LOANS AND CREDITS EXTENDED (million rials)

	Year-end	
	1384	1385
Government	80,686,072.7	80,167,822.0
Less blocked debt in note cover	(17,803,531.0)	(23,789,529.2)
	62,882,541.7	**56,378,292.8**
Government institutions and corporations	21,957,428.0	27,337,393.6
Banks	25,530,284.6	40,040,680.5
Total	**110,370,254.3**	**123,756,366.9**

GOVERNMENT REVOLVING FUNDS KEPT WITH BANKS

On the basis of the agency contracts between the CBI and other banks, 12 percent of the balance of government accounts with each bank is kept as revolving fund. The total amount of the revolving fund was Rls. 14,846,631.0 million at the end of 1385.

GOVERNMENT SECURITIES

Government securities were worth Rls. 2,635,703 million by the end of 1385.

FIXED ASSETS

Fixed assets at the end of 1385 are as follows:

FIXED ASSETS (million rials)

	Immovable assets	Movable assets	Total
Total price			
01.01.1385	1,534,419.7	139,455.8	**1,673,875.5**
Increase			
1. Revaluation	6,550,400.8	0	**6,550,400.8**
2. Increase	136,775.0	9,970.3	**146,745.3**
Decrease	(7,400.0)	(1,124.8)	**(8,524.8)**
Adjustments	(424,996.9)	375.0	**(424,621.9)**
	7,789,198.6	**148,676.3**	**7,937,874.9**
Accumulated depreciation			
01.01.1385	423,612.0	99,440.8	**523,052.8**
Depreciation in 1385	94,259.8	7,726.0	**101,985.8** (1)
Depreciation of sold assets	0	(998.2)	**(998.2)**
Adjustments	(487,831.9)	575.6	**(487,256.3)**
Total on 29.12.1385	**30,039.9**	**106,744.2**	**136,784.1**
Net book value			
On 01.01.1385	1,110,807.7	40,015.0	**1,150,822.7**
On 29.12.1385	**7,759,158.7**	**41,932.1**	**7,801,090.8**

(1) A sum of Rls. 8,842.7 million out of depreciation was included in the total price of assets for projects to be completed and paper stock. CBI's fixed assets were adequately insured during the review year.

OTHER ASSETS

Other assets held at the CBI at the end of 1385 amounted to Rls. 2,121,932.1 million, as follows:

OTHER ASSETS (million rials)

	Year-end	
	1384	1385
Silver holdings	962.7	13,762.0
Stamp holdings	455.7	441.7
Coin holdings	18,660.6	82,400.5
Investment in other institutions	134,188.6	134,188.7
Ancient coins	8.7	8.7
Miscellaneous assets	437,902.8	434,227.0
Revolving funds	492.2	951.0
Prepayments	28,441.1	737,448.6
Temporary debtors' suspense account	694,267.8	123,781.8
Provisionals	67.3	1,442.0
Projects to be completed	104,456.0	124,353.1
Result of conversion of foreign facilities	319,349.6	181,541.1
Claims for long-term facilities	302,418.3	287,385.9
Total	**2,041,671.4**	**2,121,932.1**

CUSTOMERS' UNDERTAKINGS REGARDING OPENED LETTERS OF CREDIT AND GUARANTEES

Total customers' undertakings regarding opened letters of credit and guarantees were Rls. 19,402,468.4 million at the end of 1385.

B. LIABILITIES

NOTES ISSUED

New notes issued in 1385 totaled Rls. 11,500,000 million. Thus, total issued notes amounted to Rls. 67,500,000 million at the end of 1385.

COINS ISSUED

A total of Rls. 106,791.2 million coins were issued in 1385, bringing the total coins issued to Rls. 608,968.8 million at the end of 1385.

According to the Monetary and Banking Law and the advisory letter of the Minister of Economic Affairs and Finance, the ceiling for the issuance of coins was determined at Rls. 700,000 million.

CBI' S PARTICIPATION PAPERS

In 1385, based on Parliament's approval, Rls. 30,000,000 million participation papers were issued, of which Rls. 21,565,536.0 million were sold. Corresponding figures of the previous year were Rls. 15,000,000 and 10,769,076 million, respectively.

DEPOSITS

Total sight deposits of the government, government institutions and corporations, non-government public institutions and corporations, banks and non-bank credit institutions, together with other deposits, amounted to Rls. 536,842,498.1 million at the end of 1385, as is shown in the following table:

DEPOSITS (million rials)

	Year-end	
	1384	1385
Government	224,448,181.3	245,556,838.8
Government institutions and corporations	16,875,315.6	13,754,290.7
Non-government public institutions and corporations	1,548,999.2	1,848,536.8
Banks and non-bank credit institutions:		
Legal	129,085,954.4	185,965,578.6
Sight	29,345,628.1	18,148,766.8
Term investment	7,512,626.0	9,509,465.6
LCs and order registration	112,479.1	58,282.5
Sub-total	**166,056,687.6**	**213,682,093.5**
Others	24,180,890.4	62,000,738.3
Total	**433,110,074.1**	**536,842,498.1**

According to Article 1 of the 4th FYDP Law, the government deposited Rls. 87,517,201.1 million into the OSF, the sum of which equaled $9,555.3 million.

INCOME TAX

Income tax of the CBI on the basis of the Amended Direct Tax Law approved in 1380 was Rls. 2,869,344.9 million for 1385.

SHARE OF GOVERNMENT IN NET PROFIT

According to the Monetary and Banking Law, the remainder of profit, after profit appropriation according to Article 25 of the said Law, belongs to the government. Share of government in the net profit of the CBI in 1385 amounted to Rls. 6,556,974 million. The corresponding figure for the year 1384 was Rls. 2,163,066 million.

OTHER LIABILITIES

Other liabilities of the CBI amounted to Rls. 45,109,496 million at the end of 1385, as follows:

OTHER LIABILITIES

(million rials)

	Year-end	
	1384	1385
Documents payable	17,804,922.5	21,163,005.6
SDR allocations	3,200,504.0	3,380,175.6
Foreign exchange drafts (payable in rial)	6,169.7	481.2
Sight deposits of departments within the bank	1,205,844.6	598,885.2
Creditors' suspense account in foreign exchange	3,914,500.2	3,987,855.9
Creditors' suspense account in rial	2,355,787.5	2,452,517.2
CBI's receipts in connection with the Algerian Decree	86,285.1	62,104.7
Liabilities related to projects to be completed	17,903.0	17,241.1
Long-term facilities extended by foreign banks	1,429,563.8	1,201,842.6
Issued Eurobonds	11,021,000.0	12,188,000.0
	41,042,480.4	**45,052,109.1**
0.5% allocated to low-income groups for provision of housing	27,377.9	57,386.9
Total	**41,069,858.3**	**45,109,496.0**

A sum of Rls. 3,380,175.6 million equal to SDR 244,056,000 was related to Iran's quota in IMF.

CAPITAL

The CBI's capital amounted to Rls. 10,363,000 million at the end of 1385, which increased in two phases (subject of Article 10, the Monetary and Banking Law of Iran) by Rls. 7,863,000 million as compared with the previous year.

LEGAL RESERVE

Based on Monetary and Banking Law, 10 percent of net profit of CBI is required to be held in a legal reserve account, so that the total legal reserve will equal the CBI's capital. The total legal reserve for 1385 was Rls. 2,460,159.7 million.

LEGAL RESERVE

(million rials)

At the beginning of 1385	1,320,916.0
In 1385	1,139,243.7
Total	**2,460,159.7**

CONTINGENCY RESERVE

According to the Monetary and Banking Law, an amount is to be held in the contingency reserve account each year, based on the proposal of the CBI and approval of the General Assembly. The contingency reserve out of net profit was Rls. 769,487 million in 1385. Meanwhile, the balance of contingency reserve account is presently Rls. 100,046.3 million, Rls. 47,738.6 million of which is equal to adjustments related to the revaluation account of CBI's immovable assets as subject of Article 7, 4th FYDP Law.

RESERVE FOR FOREIGN EXCHANGE CONVERSION

Foreign exchange assets' and liabilities' revaluation reserve in 1385 amounted to Rls. 65,883,957.9 million at 29.12.1385 rates.

RESERVE FOR FOREIGN EXCHANGE CONVERSION

(million rials)

	Year-end	
	1384	1385
Gold	1,593,695.7	1,905,214.1
Quota and subscription to international agencies	1,388,654.4	1,649,015.6
Foreign exchange holdings	38,162,254.5	62,092,165.9
Clearing accounts	13,422.7	237,562.3
Total	**41,158,027.3**	**65,883,957.9**

DETAILS OF PROFIT AND LOSS ACCOUNT (Esfand 29, 1385)

A. EXPENDITURES

COST OF RECEIVING CREDIT AND OVERDRAFT FROM FOREIGN BANKS

The cost of receiving credit and overdraft from foreign banks amounted to Rls. 129,164.5 million as follows:

COST OF RECEIVING CREDIT AND OVERDRAFT FROM FOREIGN BANKS (million rials)

	Year-end	
	1384	1385
Correspondents	800.1	515.0
Overdraft	89,758.4	128,649.5
Total	**90,558.5**	**129,164.5**

PROFIT PAID ON FOREIGN EXCHANGE ACCOUNTS

Profit paid on foreign exchange accounts amounted to Rls. 2,791.7 million at the end of 1385.

REWARDS PAID ON BANKS' LEGAL DEPOSIT

As approved at the 788th session of MCC on 15.12.1371, Rls. 1,476,189.8 million was paid as rewards on legal deposit in 1385.

PROFIT PAID ON CBI'S PARTICIPATION PAPERS

The profit accrued to CBI's participation papers amounted to Rls. 2,402,064.4 million in 1385 and this was considered in the accounts. The corresponding figure for 1384 was Rls. 2,066,240.5 million.

PROFIT PAID ON BANKS' SPECIAL DEPOSITS

A total of Rls. 1,572,697.8 million was paid as profit on banks' special deposits in 1385, mainly related to profit on Bank Melli Iran's term deposits.

COMMISSION PAID ON BANKING SERVICES

The commission paid on banking services by the CBI amounted to Rls. 388,750.3 million, as shown in the following table:

COMMISSION PAID ON BANKING SERVICES (million rials)

	Year-end	
	1384	1385
Paid to banks for government accounts	360,000.0	375,000.0
Purchase of notes from abroad	4,341.5	3,367.8
Paid to correspondents	16,345.0	10,382.5
Total	**380,686.5**	**388,750.3**

PERSONNEL AND ADMINISTRATIVE EXPENDITURES

Personnel and administrative expenditures in 1385 and its comparison with the approved budget figures are shown in the following table:

PERSONNEL AND ADMINISTRATIVE EXPENDITURES (million rials)

	1384		1385	
	Approved budget	Performance	Approved budget	Performance
Personnel	520,589.6	491,539.6	578,438.0	543,769.1
Administrative	305,839.1	270,232.2	343,973.3	296,411.7
Total	**826,428.7**	**761,771.8**	**922,411.3**	**840,180.8**

MONEY ISSUE AND MISCELLANEOUS PRINTING EXPENDITURES

The total money issue and miscellaneous printing expenditures were Rls. 607,873.4 million in the review year, mainly related to the issuance of notes and coins.

DEPRECIATION COST

In 1385, a sum of Rls. 38,067.5 million was allocated as depreciation cost of movable and immovable assets, as follows:

DEPRECIATION COST (million rials)

	1384	1385
Movable assets	14,115.0	7,003.9
Immovable assets	46,878.3	31,063.6
Total	**60,993.3**	**38,067.5**

Additionally, a sum of Rls. 60,290.2 million related to depreciation cost of movable and immovable assets, and machinery of the Print and Mint Organization and Takab Security Paper Mill was deposited into the currency issuance account, bringing the total depreciation cost of 1385 to Rls. 98,357.7 million.

OTHER EXPENDITURES

Other expenditures amounted to Rls. 28,562.2 million as follows:

OTHER EXPENDITURES (million rials)

	Year-end	
	1384	1385
Implementation of Note 5, Budget Law for 1382	6,880.9	0
Gold transportation and insurance	27.0	791.8
Eurobonds issuance	480.2	582.0
Contingent expenses	0	25,000.0
Differential of foreign exchange smuggling	0	2,188.4
Total	**7,388.1**	**28,562.2**

B. REVENUES

RETURNS ON DEPOSITS AND INVESTMENT ABROAD

Returns on deposits and investment abroad amounted to Rls. 13,516,140.8 million, as follows:

RETURNS ON DEPOSITS AND INVESTMENT ABROAD (million rials)

	Year-end	
	1384	1385
Foreign exchange term deposits	4,640,506.7	10,210,811.6
Foreign exchange sight deposits and special & clearing accounts	269,403.1	622,967.0
Foreign bonds	4,709,487.3	5,360,480.9
Algerian Decree	86,754.8	236,545.6
SDR	101,024.7	145,359.3
Certificates of deposit (CDs)	4,213.6	410,979.4
Profit of OSF account	(1,941,047.0)	(3,471,003.0)
Total	**7,870,343.2**	**13,516,140.8**

PROFIT RECEIVED FROM EXTENDED FACILITIES

The profit received from extended facilities in 1385 amounted to Rls. 3,295,717.1 million, as follows:

PROFIT RECEIVED FROM EXTENDED FACILITIES (million rials)

	Year-end	
	1384	1385
Government	2,875.6	77,487.2
Government institutions and corporations	754,873.9	769,222.3
Banks	1,789,987.8	2,442,988.1
Algerian Decree	4,116.2	6,019.5
Total	**2,551,853.5**	**3,295,717.1**

COMMISSION RECEIVED FOR BANKING SERVICES

Commission received for banking services totaled Rls. 174,724.8 million, as follows:

COMMISSION RECEIVED FOR BANKING SERVICES (million rials)

	Year-end	
	1384	1385
Letters of credit	104,676.3	163,511.2
Foreign exchange bills	5.2	13.4
Foreign exchange drafts	10,835.0	7,772.1
Domestic usance	0	2,439.6
Miscellaneous	422.9	988.5
Total	**115,939.4**	**174,724.8**

RESULT OF FOREIGN EXCHANGE AND GOLD TRANSACTIONS

The income received from foreign exchange and gold transactions amounted to Rls. 321,064.5 million as follows:

RESULT OF FOREIGN EXCHANGE AND GOLD TRANSACTIONS (million rials)

	Year-end	
	1384	1385
Foreign exchange losses	816,596.4	1,081,353.5
Profit derived from international bonds transactions	95,220.5	153,486.9
Profit received from treasury documents transactions	0	4,607.9
	911,816.9	**1,239,448.3**
Revaluation of international bonds	(1,736,792.4)	(918,383.8)
Revaluation of external treasury documents	(1,472.2)	0
	(1,738,264.6)	**(918,383.8)**
Total	**(826,447.7)**	**321,064.5**

OTHER INCOMES

Other incomes of the CBI amounted to Rls. 1,571,131.8 million as is shown in the following table:

OTHER INCOMES (million rials)

	Year-end	
	1384	1385
Profit from investment in other institutions	96,660.1	79,944.7
Miscellaneous revenues of the Print and Mint Organization, and Takab Security Paper Mill	206,736.8	243,709.0
Revenue received from sale of gold and jewelry, gold coins & bar	338,591.9	1,175,200.3
Miscellaneous	33,132.3	72,277.8
Total	**675,121.1**	**1,571,131.8**

APPROPRIATION ACCOUNT

The net profit of the CBI in 1385 amounted to Rls. 11,392,436,676,179. The net profit of Rls. 573,681 was carried forward and added to the above figure, bringing the total amount to Rls. 11,392,437,249,860 which was proposed to be appropriated as follows:

APPROPRIATION ACCOUNT (rials)

Income tax	2,869,344,933,332
Transfer to legal reserve	1,139,243,667,618
Transfer to contingency reserve	769,487,000,000
Share of the government in net profit	6,556,974,000,000
0.5 percent allocated to low-income groups for provision of housing	57,386,898,667
Balance of net profit carried forward	750,243
Total	**11,392,437,249,860**

Annex 107

Balance Sheet and Profit and Loss Account of Central Bank of the Islamic Republic of Iran as at the end of 1386 (21 March 2007 - 19 March 2008)

BALANCE SHEET
AND
PROFIT AND LOSS ACCOUNT
OF
CENTRAL BANK OF THE
ISLAMIC REPUBLIC OF IRAN

As at the end of 1386

(March 19, 2008)

BALANCE SHEET
AS AT THE END OF 1386 (March 19, 2008)

March 20, 2007	ASSETS	March 19, 2008
67,500,000	Note cover including gold, foreign exchange, and quota and subscription to international agencies	88,500,000
619,880	Notes and coins held at the Central Bank	1,200,445
15,766,449	Free gold holdings	11,601,590
525,683,887	Foreign exchange assets	713,016,500
	Loans and credits to:	
56,378,293	Government	32,008,139
27,337,394	Government institutions and corporations	33,917,935
40,040,680	Banks	121,249,369
123,756,367		**187,175,443**
14,846,631	Government revolving funds kept with banks	16,444,624
2,635,703	Government securities	0
7,801,091	Fixed assets (less accumulated depreciation)	7,633,122
2,121,932	Other assets	3,027,674
760,731,940		**1,028,599,398**
19,402,469	Customers' undertakings regarding opened letters of credit and guarantees	12,756,956
780,134,409		**1,041,356,354**
1,087,608	Assets of the Central Bank Employees' Pension Fund	1,349,212
67,031	Assets of the Central Bank Employees' Savings Fund	86,404
82,091	Assets of the Central Bank Employees' Cooperative Fund	104,436
781,371,139		**1,042,896,406**

EXECUTIVE BOARD

Mahmud Bahmani
Governor

Hossein Ghazavi	Reza Raei	Ramin Pashaei Fam	Yadollah Asna Ashari
Deputy Governor	Vice-Governor	Vice-Governor	Vice-Governor

March 20, 2007	LIABILITIES	AMOUNT IN MILLION RIALS March 19, 2008
67,500,000	Notes issued	88,500,000
608,969	Coins issued	747,519
21,565,536	Central Bank's participation papers	16,371,658
	Deposits:	
245,556,839	Government: sight	372,074,447
13,754,290	Government institutions and corporations: sight	17,505,094
1,848,537	Non-government public institutions and corporations: sight	2,017,949
	Banks and credit institutions:	
185,965,579	Legal	236,995,926
89,717,253	Other deposits	122,213,192
536,842,498		**750,806,608**
2,869,345	Income tax	4,956,536
6,556,974	Share of government in net profit	8,866,259
45,109,496	Other liabilities	41,141,789
102,471	Retirement benefits	158,421
10,363,000	Capital	11,200,000
2,460,159	Legal reserve	4,426,725
869,533	Contingency reserve	3,809,692
65,883,958	Foreign exchange assets' and liabilities' revaluation reserve	97,614,190
1	Net profit carried forward	1
760,731,940		**1,028,599,398**
19,402,469	Letters of credit and guarantees	12,756,956
780,134,409		**1,041,356,354**
1,087,608	Liabilities of the Central Bank Employees' Pension Fund	1,349,212
67,031	Liabilities of the Central Bank Employees' Savings Fund	86,404
82,091	Liabilities of the Central Bank Employees' Cooperative Fund	104,436
781,371,139		**1,042,896,406**

PROFIT AND LOSS ACCOUNT
AS AT THE END OF 1386 (March 19, 2008)

2006/07		2007/08
13,516,141	Returns on deposits and investment abroad	18,097,976
3,295,717	Profit received from extended facilities	7,043,974
174,725	Commission received for banking services	208,783
1,239,448	Result of foreign exchange and gold transactions	4,310,754
1,571,132	Other incomes	2,264,234
19,797,163		**31,925,721**
11,392,437	Net profit	19,665,650
1	Net profit carried forward	1
11,392,438		**19,665,651**

EXECUTIVE BOARD

Mahmud Bahmani
Governor

Hossein Ghazavi	Reza Raei	Ramin Pashaei Fam	Yadollah Asna Ashari
Deputy Governor	Vice-Governor	Vice-Governor	Vice-Governor

AMOUNT IN MILLION RIALS

2006/07		2007/08
129,164	Cost of receiving credit and overdraft from foreign banks	139,157
2,792	Profit paid on foreign exchange accounts	724,129
1,476,190	Rewards paid on banks' legal deposit	2,035,138
2,402,064	Profit paid on Central Bank's participation papers	4,164,968
1,572,698	Profit paid on banks' special deposits	3,079,343
388,750	Commission paid on banking services	390,024
918,384	Result of foreign exchange revaluation-adjustment	30,686
840,181	Personnel and administrative expenditures	948,554
607,873	Money issue and miscellaneous printing expenditures	648,392
38,068	Depreciation cost of fixed assets	84,870
28,562	Other expenditures	14,810
8,404,726		**12,260,071**
11,392,437	Net profit	19,665,650
19,797,163		**31,925,721**

APPROPRIATION ACCOUNT

2,869,345	Income tax	4,956,536
1,139,244	Transfer to legal reserve	1,966,565
769,487	Transfer to contingency reserve	3,777,159
6,556,974	Share of government in net profit	8,866,259
57,387	0.5 percent of net profit allocated to low-income groups for housing provision	99,131
1	Net profit carried forward	1
11,392,438		**19,665,651**

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Details of Balance Sheet as at the end of 1386 (March 19, 2008)

A. Assets

Note Issue and Note Cover

On the basis of the currency needs of the country and according to the monetary and banking regulations, Rls. 21,000,000 million worth of new notes were issued and the total notes in circulation amounted to Rls. 88,500,000 million by the end of 1386.

Notes and Coins Held at the CBI

Notes and coins held at the CBI at end-1386 are as follows:

Notes and Coins Held at the CBI (million rials)

	Year-end	
	1385	1386
Notes	619,772.5	1,200,338.9
Coins	108.1	106.5
Total	**619,880.6**	**1,200,445.4**

Loans and Credits

Total loans and credits extended to the government, its affiliated institutions and corporations, and banks amounted to Rls. 187,175,442.9 million. This was after deducting Rls. 41,566,356.8 million as blocked debt in note cover and taking into account other adjustments.

Loans and Credits Extended (million rials)

	Year-end	
	1385	1386
Government	80,167,822.0	73,574,495.4
Less blocked debt in note cover	(23,789,529.2)	(41,566,356.8)
	56,378,292.8	**32,008,138.6**
Government institutions and corporations	27,337,393.6	33,917,934.9
Banks	40,040,680.5	121,249,369.4
Total	**123,756,366.9**	**187,175,442.9**

Government Revolving Funds Kept with Banks

On the basis of the agency contracts between the CBI and other banks, 12 percent of the balance of government accounts with each bank is kept as revolving fund. The total amount of the revolving fund was Rls. 16,444,623.3 million at the end of 1386.

Fixed Assets [1]

Fixed assets at the end of 1386 are as follows:

Fixed Assets (million rials)

	Immovable assets [1]	Movable assets	Total
Total price			
01.01.1386	7,789,198.6	148,676.3	**7,937,874.9**
Increase	75,111.8	12,924.1	**88,035.9**
Decrease	(60,700.0)	(713.3)	**(61,413.3)**
Adjustments	0	186.0	**186.0**
	7,803,610.4	**161,073.1**	**7,964,683.5**
Accumulated depreciation			
01.01.1386	30,039.9	106,744.2	**136,784.1**
Depreciation in 1386	187,281.4	7,949.0	**195,230.4** [2]
Depreciation of sold assets	0	(626.6)	**(626.6)**
Adjustments	0	173.3	**173.3**
Total on 29.12.1386	**217,321.3**	**114,239.9**	**331,561.2**
Net book value			
On 01.01.1386	7,759,158.7	41,932.1	**7,801,090.8**
On 29.12.1386	**7,586,289.1**	**46,833.2**	**7,633,122.3**

(1) It includes the final cost of the project related to the Museum of the Treasury of National Jewels. According to the timetable of the executive office (as stipulated in the Treasury's future program), the concrete skeleton will be completed by end-1388 and the total project by end-1390. (2) Depreciation in 1386 includes depreciation cost of bank, Print and Mint Organization and Takab Security Paper Mill and other items (adjustments) which were respectively Rls. 84.9, 98.5 and 11.8 billion.

(1) CBI's fixed assets were adequately insured during the review year.

Other Assets

Other assets held at the CBI at the end of 1386 are as follows:

Other Assets (million rials)

	Year-end	
	1385	1386
Silver holdings	13,762.0	7,036.9
Stamp holdings	441.7	430.9
Coin holdings	82,400.5	166,622.8
Investment in other institutions	134,188.7	134,188.7
Ancient coins	8.7	8.7
Miscellaneous assets	434,227.0	428,819.2
Revolving funds	951.0	333.8
Prepayments (mainly tax)	737,448.6	1,575,753.9
Temporary debtors	123,781.8	124,143.9
Provisionals	1,442.0	11,595.7
Projects to be completed	124,353.1	274,283.2
Result of conversion of foreign facilities	181,541.1	89,109.8
Claims for long-term facilities	287,385.9	215,346.7
Total	**2,121,932.1**	**3,027,674.2**

Customers' Undertakings regarding Opened Letters of Credit and Guarantees

Total customers' undertakings regarding opened letters of credit and guarantees at the end of 1386 are as follows:

Customers' Undertakings regarding Opened Letters of Credit and Guarantees (million rials)

	Year-end	
	1385	1386
Customers' undertakings regarding opened letters of credit in rials	11,418,779.4	4,312,768.5
Customers' undertakings regarding brokers' guarantees	2,701,238.5	2,947,645.9
Customers' undertakings regarding opened letters of credit in foreign exchange	5,282,450.5	5,496,541.4
Total	**19,402,468.4**	**12,756,955.8**

B. Liabilities

Notes Issued

New notes issued in 1386 totaled Rls. 21,000,000 million. Thus, total issued notes amounted to Rls. 88,500,000 million at the end of 1386.

Coins Issued

A total of Rls. 138,550.1 million coins were issued in 1386, bringing the total coins issued to Rls. 747,518.9 million at the end of 1386.

According to the Monetary and Banking Law and the advisory letter of the Minister of Economic Affairs and Finance, the ceiling for the issuance of coins was determined at Rls. 1,000,000 million.

CBI's Participation Papers

In 1386, based on Parliament's approval, Rls. 40,000,000 million participation papers were issued, of which Rls. 16,371,658 million were sold (net) [1]. Corresponding figures of the previous year were Rls. 30,000,000 and 21,565,536 million, respectively.

Deposits

Total sight deposits of the government, government institutions and corporations, non-government public institutions and corporations, banks and credit institutions, together with other deposits, amounted to Rls. 750,806,607.8 million at the end of 1386, as is shown in the respective table.

According to Article 1 of the 4th FYDP Law, the government deposited Rls. 205,996,162.3 million into the OSF, the sum of which equaled $23,174.3 million. Corresponding figures of the previous year were Rls. 87,517,201.1 million and $9,555.3 million.

(1) In 1386, Rls. 22,826,665 million participation papers were sold, of which Rls. 6,455,007 million were repurchased.

Deposits (million rials)

	Year-end	
	1385	1386
Government	245,556,838.8	372,074,447.4
Government institutions and corporations	13,754,290.7	17,505,093.8
Non-government public institutions and corporations	1,848,536.8	2,017,948.7
Banks and credit institutions:		
Legal	185,965,578.6	236,995,926.0
Sight	18,148,766.8	14,444,716.2
Term investment	9,509,465.6	27,166,744.4
LCs and order registration	58,282.5	40,877.6
Sub-total	**213,682,093.5**	**278,648,264.2**
Others	62,000,738.3	80,560,853.7
Total	**536,842,498.1**	**750,806,607.8**

Income Tax

Income tax of the CBI on the basis of the Amended Direct Tax Law approved in 1380 was Rls. 4,956,536.1 million for 1386, of which Rls. 1,547,884.0 million was paid in the implementation of the Budget Law for 1386. Meanwhile, in terms of the tax for 1381 onwards, no consensus exists regarding the credit balance of foreign exchange assets' and liabilities' revaluation reserve. Based on the approval of the Cabinet on 12.02.1386, the mentioned balance is tax-exempt. According to the Executive Board of the CBI, there was no such liability at the date of the balance sheet.

Share of Government in Net Profit

According to the Monetary and Banking Law, the remainder of profit, after profit appropriation according to Article 25 of the said Law, belongs to the government. Share of government in the net profit of the CBI in 1386 amounted to Rls. 8,866,259.0 million. The corresponding figure for the year 1385 was Rls. 6,556,974.0 million.

Other Liabilities

Other liabilities of the CBI amounted to Rls. 41,141,789.3 million at the end of 1386, as follows:

Other Liabilities (million rials)

	Year-end	
	1385	1386
Documents payable	21,163,005.6	24,139,318.4
SDR allocations	3,380,175.6	3,588,599.4
Foreign exchange drafts (payable in rial)	481.2	0
Sight deposits of departments within the bank	598,885.2	773,761.4
Creditors' suspense account in foreign exchange	3,987,855.9	4,190,698.3
Creditors' suspense account in rial	2,452,517.2	2,205,314.5
CBI's receipts in connection with the Algerian Decree	62,104.7	26,259.3
Liabilities related to projects to be completed	17,241.1	12,305.6
Long-term facilities extended by foreign banks	1,201,842.6	860,901.7
Issued Eurobonds	12,188,000.0	5,245,500.0
	45,052,109.1	**41,042,658.6**
0.5% allocated to low-income groups for provision of housing	57,386.9	99,130.7
Total	**45,109,496.0**	**41,141,789.3**

Retirement Benefits

Retirement benefits at the end of 1386 amounted to Rls. 158,421.2 million, as follows:

Retirement Benefits

(million rials)

At the beginning of 1386	102,471.0
In 1386	(18,586.8)
Expenditures in 1386	74,537.0
At end-1386	**158,421.2**

Capital

The CBI's capital amounted to Rls. 11,200,000 million at the end of 1386, indicating an increase of Rls. 837,000 million as compared with the previous year. This increase was financed from the contingency reserve of 1385, based on the proposal of the extraordinary General Assembly on 14.11.1386 and the Cabinet approval on 27.12.1386, subject of Article 10, the Monetary and Banking Law of Iran.

Legal Reserve

Based on Monetary and Banking Law, 10 percent of net profit of CBI is required to be held in a legal reserve account, so that the total legal reserve will equal the CBI's capital. The total legal reserve for 1386 was Rls. 4,426,724.7 million.

Legal Reserve (million rials)

At the beginning of 1386	2,460,159.7
In 1386	1,966,565.0
Total	**4,426,724.7**

Contingency Reserve

According to the Monetary and Banking Law, an amount is to be held in the contingency reserve account each year, based on the proposal of the CBI and approval of the General Assembly. The contingency reserve for 1386 is as follows:

Contingency Reserve

(million rials)

At the beginning of 1386	869,533.0
Transfer to capital increase	(837,000.0)
Reserve in 1386	3,777,159.0
At end-1386	**3,809,692.0**

Reserve for Foreign Exchange Conversion

Foreign exchange assets' and liabilities' revaluation reserve in 1386 amounted to Rls. 97,614,190.1 million at 29.12.1386 rates.

Reserve for Foreign Exchange Conversion (million rials)

	Year-end	
	1385	1386
Gold	1,905,214.1	1,222,509.6
Quota and subscription to international agencies	1,649,015.6	1,803,177.6
Foreign exchange holdings	62,092,165.9	94,412,974.6
Clearing accounts	237,562.3	175,528.3
Total	**65,883,957.9**	**97,614,190.1**

Details of Profit and Loss Account
(Esfand 29, 1386)

A. Expenditures

Cost of Receiving Credit and Overdraft from Foreign Banks

The cost of receiving credit and overdraft from foreign banks amounted to Rls. 139,156.8 million as follows:

Cost of Receiving Credit and Overdraft from Foreign Banks
(million rials)

	Year-end	
	1385	1386
Correspondents	515.0	5,401.5
Overdraft	128,649.5	133,755.3
Total	**129,164.5**	**139,156.8**

Profit Paid on Foreign Exchange Accounts

Profit paid on foreign exchange accounts including banks' foreign exchange sight deposits with the CBI, amounted to Rls. 434,463.5 million. Moreover, a sum of Rls. 289,665.8 million was paid as profit by the CBI for receiving deposit from Bank Sepah in Frankfurt, Bank Saderat in Dubai, Bank of Industry and Mine, and Export Development Bank of Iran.

Rewards Paid on Banks' Legal Deposit

As approved at the 788th session of MCC on 15.12.1371, Rls. 2,035,138 million was paid as rewards on legal deposit in 1386.

Profit Paid on CBI's Participation Papers

The profit accrued to CBI's participation papers amounted to Rls. 4,164,967.5 million in 1386 and this was considered in the accounts. The corresponding figure for 1385 was Rls. 2,402,064.4 million.

Profit Paid on Banks' Special Deposits

A total of Rls. 3,079,343.2 million was paid as profit on banks' special deposits in 1386.

Commission Paid on Banking Services

The commission paid on banking services by the CBI amounted to Rls. 390,023.9 million, as shown in the following table:

Commission Paid on Banking Services (million rials)

	1385	1386
Paid to banks for government accounts	375,000.0	375,000.0
Purchase of notes from abroad	3,367.8	5,258.0
Paid to correspondents	10,382.5	9,765.9
Total	**388,750.3**	**390,023.9**

Personnel and Administrative Expenditures

Personnel and administrative expenditures in 1386 and its comparison with the approved budget figures are shown in the following table:

Personnel and Administrative Expenditures (million rials)

	1385		1386	
	Approved budget	Performance	Approved budget	Performance
Personnel	578,438.0	543,769.1	665,367.0	632,349.9
Administrative	343,973.3	296,411.7	387,965.5	316,204.1
Total	**922,411.3**	**840,180.8**	**1,053,332.5**	**948,554.0**

Money Issue and Miscellaneous Printing Expenditures

The total money issue and miscellaneous printing expenditures were Rls. 648,392.4 million in the review year, mainly related to the increase in the cost of issuance of notes and coins.

Depreciation Cost

In 1386, a sum of Rls. 84,870.3 million was allocated as depreciation cost of movable and immovable assets, as follows:

Depreciation Cost (million rials)

	1385	1386
Movable assets	7,003.9	6,885.2
Immovable assets	31,063.6	77,985.1
Total	**38,067.5**	**84,870.3**

Additionally, a sum of Rls. 98,519.1 million related to depreciation cost of movable and immovable assets, and machinery of the Print and Mint Organization and Takab Security Paper Mill was deposited into the currency issuance account.

Other Expenditures

Other expenditures amounted to Rls. 14,810.3 million as follows:

Other Expenditures (million rials)

	1385	1386
Gold transportation and insurance	791.8	34.9
Eurobonds issuance	582.0	0
Contingent expenses	25,000.0	13,476.7
Differential of foreign exchange smuggling	2,188.4	1,298.7
Total	**28,562.2**	**14,810.3**

B. Revenues

Returns on Deposits and Investment Abroad

Returns on deposits and investment abroad amounted to Rls. 18,097,976.0 million, as follows:

Returns on Deposits and Investment Abroad

(million rials)

	Year-end	
	1385	1386
Foreign exchange term deposits	10,210,811.6	16,638,347.0
Foreign exchange sight deposits & special & clearing accounts	622,967.0	658,844.8
Foreign bonds	5,360,480.9	5,766,452.5
Algerian Decree	236,545.6	314,947.8
SDR	145,359.3	154,019.7
Certificates of deposit (CDs)	410,979.4	649,261.8
Profit of OSF account	(3,471,003.0)	(6,083,897.6)
Total	**13,516,140.8**	**18,097,976.0**

Profit Received from Extended Facilities

The profit received from extended facilities in 1386 increased to Rls. 7,043,973.7 million, mainly due to the rise in the value of concluded contracts related to the participation papers.

Profit Received from Extended Facilities (million rials)

	1385	1386
Government	77,487.2	351,019.5
Government institutions and corporations	769,222.3	1,343,499.4
Banks	2,442,988.1	5,345,727.1
Algerian Decree	6,019.5	3,727.7
Total	**3,295,717.1**	**7,043,973.7**

Commission Received for Banking Services

Commission received for banking services totaled Rls. 208,782.8 million, as follows:

Commission Received for Banking Services (million rials)

	Year-end	
	1385	1386
Letters of credit	163,511.2	201,262.0
Foreign exchange bills	13.4	152.0
Foreign exchange drafts	7,772.1	6,284.8
Domestic usance	2,439.6	0
Miscellaneous	988.5	1,084.0
Total	**174,724.8**	**208,782.8**

Result of Foreign Exchange and Gold Transactions

The income received from foreign exchange and gold transactions in 1386 was as follows:

Result of Foreign Exchange and Gold Transactions (million rials)

	Year-end	
	1385	1386
Foreign exchange losses	1,081,353.5	958,422.1
Profit derived from international bonds transactions	153,486.9	577,646.5
Profit received from gold transactions	0	2,717,572.0
Profit received from treasury documents transactions	4,607.9	57,113.4
	1,239,448.3	**4,310,754.0**
Revaluation of international bonds	**(918,383.8)**	**(30,685.4)**

Other Incomes

Other incomes of the CBI amounted to Rls. 2,264,234.1 million as is shown in the following table:

Other Incomes (million rials)

	Year-end	
	1385	1386
Profit from investment in other institutions	79,944.7	48,256.2
Miscellaneous revenues of the Print and Mint Organization, and Takab Security Paper Mill	243,709.0	221,388.4
Revenue received from sale of gold and jewelry, gold coins & bar	1,175,200.3	1,979,105.8
Miscellaneous	72,277.8	15,483.7
Total	**1,571,131.8**	**2,264,234.1**

Appropriation Account

The net profit of the CBI in 1386 amounted to Rls. 19,665,649,609 thousand. The net profit of Rls. 750 thousand was carried forward and added to the above figure, bringing the total amount to Rls. 19,665,650,360 thousand which was proposed to be appropriated as follows:

Appropriation Account

(thousand rials)

	1385	1386
Income tax	2,869,344,933	4,956,536,064
Transfer to legal reserve	1,139,243,668	1,966,564,961
Transfer to contingency reserve	769,487,000	3,777,159,000
Share of the government in net profit	6,556,974,000	8,866,259,000
0.5 percent allocated to low-income groups for provision of housing	57,386,899	99,130,721
Balance of net profit carried forward	750	614
Total	**11,392,437,250**	**19,665,650,360**

Annex 108

Balance Sheet and Profit and Loss Account of Central Bank of the Islamic Republic of Iran as at the end of 1387 (20 March 2008 - 20 March 2009)

BALANCE SHEET
AND
PROFIT AND LOSS ACCOUNT
OF
CENTRAL BANK OF THE
ISLAMIC REPUBLIC OF IRAN

As at the end of 1387

(March 20, 2009)

BALANCE SHEET
AS AT THE END OF 1387 (March 20, 2009)

March 19, 2008	ASSETS	March 20, 2009
88,500,000	Note cover including gold, foreign exchange, and quota and subscription to international agencies	96,500,000
1,200,445	Notes and coins held at the Central Bank	994,475
11,601,590	Free gold holdings	16,632,793
713,016,500	Foreign exchange assets	735,744,306
	Loans and credits to:	
32,008,139	Government	21,045,138
33,917,935	Government institutions and corporations	38,835,900
121,249,369	Banks	239,757,659
187,175,443		**299,638,697**
16,444,624	Government revolving funds kept with banks	0
7,633,122	Fixed assets (less accumulated depreciation)	7,684,433
3,027,674	Other assets	3,754,363
1,028,599,398		**1,160,949,067**
12,756,956	Customers' undertakings regarding opened letters of credit and guarantees	17,984,592
1,041,356,354		**1,178,933,659**
1,349,212	Assets of the Central Bank Employees' Pension Fund	1,626,710
86,404	Assets of the Central Bank Employees' Savings Fund	99,887
104,436	Assets of the Central Bank Employees' Cooperative Fund	135,056
1,042,896,406		**1,180,795,312**

EXECUTIVE BOARD

Mahmoud Bahmani
Governor

Hossein Ghazavi	Reza Raei	Ramin Pashaei Fam	Seyyed Mahmoud Ahmadi
Deputy Governor	Vice-Governor	Vice-Governor	Vice-Governor

March 19, 2008	LIABILITIES	AMOUNT IN MILLION RIALS March 20, 2009
88,500,000	Notes issued	96,500,000
0	Iran-Checks issued	110,004,078
747,519	Coins issued	842,581
16,371,658	Central Bank's participation papers	0
	Deposits:	
372,074,447	Government: sight	358,513,632
17,505,094	Government institutions and corporations: sight	21,514,911
2,017,949	Non-government public institutions and corporations: sight	1,124,590
	Banks and credit institutions:	
236,995,926	Legal	225,191,588
122,213,192	Sight and term investment deposits, advance payments on banks' LCs, and other deposits	176,155,212
750,806,608		**782,499,933**
4,956,536	Income tax	6,511,808
8,866,259	Share of government in net profit	10,370,976
41,141,789	Other liabilities	36,253,457
158,421	Retirement benefits	172,136
11,200,000	Capital	15,000,000
4,426,725	Legal reserve	7,019,469
3,809,692	Contingency reserve	6,331,369
97,614,190	Foreign exchange assets' and liabilities' revaluation reserve	89,443,260
1	Net profit carried forward	0
1,028,599,398		**1,160,949,067**
12,756,956	Letters of credit and guarantees	17,984,592
1,041,356,354		**1,178,933,659**
1,349,212	Liabilities of the Central Bank Employees' Pension Fund	1,626,710
86,404	Liabilities of the Central Bank Employees' Savings Fund	99,887
104,436	Liabilities of the Central Bank Employees' Cooperative Fund	135,056
1,042,896,406		**1,180,795,312**

PROFIT AND LOSS ACCOUNT
AS AT THE END OF 1387 (March 20, 2009)

March 19, 2008		March 20, 2009
139,157	Cost of receiving credit and overdraft from foreign banks	74,852
724,129	Profit paid on foreign exchange accounts	815,735
2,035,138	Rewards paid on banks' legal deposit	2,261,386
4,164,968	Profit paid on Central Bank's participation papers	1,211,888
3,079,343	Profit paid on banks' special deposits	1,338,375
390,024	Commission paid on banking services	613,478
30,686	Result of foreign exchange revaluation-adjustment	6,752
948,554	Personnel and administrative expenditures	1,183,843
648,392	Money issue and miscellaneous printing expenditures	700,697
84,870	Depreciation cost of fixed assets	84,859
14,810	Other expenditures	1,880
12,260,071		**8,293,745**
19,665,650	Net profit	25,927,441
31,925,721		**34,221,186**

APPROPRIATION ACCOUNT

4,956,536	Income tax	6,511,808
1,966,565	Transfer to legal reserve	2,592,745
3,777,159	Transfer to contingency reserve	6,321,677
8,866,259	Share of government in net profit	10,370,976
99,131	0.5 percent of net profit allocated to low-income groups for housing provision	130,236
1	Net profit carried forward	0
19,665,651		**25,927,442**

EXECUTIVE BOARD

Mahmoud Bahmani
Governor

Hossein Ghazavi	Reza Raei	Ramin Pashaei Fam	Seyyed Mahmoud Ahmadi
Deputy Governor	Vice-Governor	Vice-Governor	Vice-Governor

March 19, 2008		AMOUNT IN MILLION RIALS March 20, 2009
18,097,976	Returns on deposits and investment abroad	16,066,112
7,043,974	Profit received from extended facilities	7,968,510
208,783	Commission received for banking services	288,440
4,310,754	Result of foreign exchange and gold transactions	8,037,059
2,264,234	Other incomes	1,861,065
31,925,721		**34,221,186**
19,665,650	Net profit	25,927,441
1	Net profit carried forward	1
19,665,651		**25,927,442**

Details of Balance Sheet as at the end of 1387 (March 20, 2009)

A. Assets

Note Issue and Note Cover

On the basis of the currency needs of the country and according to the monetary and banking regulations, Rls. 8,000,000 million worth of new notes were issued and the total notes in circulation amounted to Rls. 96,500,000 million by the end of 1387, as shown in the respective table.

Notes and Coins Held at the CBI

Notes and coins held at the CBI at end-1387 are as follows:

Notes and Coins Held at the CBI (million rials)

	End-1386	End-1387
Notes	1,200,338.9	994,090.2
Coins	106.5	384.2
Total	**1,200,445.4**	**994,474.4**

Free Gold Holdings

Free gold holdings at end-1387 and their comparison with corresponding figures of the year before are shown in the respective table.

Every ounce of gold equals 31.10349552 grams. The book value of every ounce of gold reached $439.44 at end-1387 (US$/IRR: 9,629).

Note Issue and Note Cover

	End-1386		End-1387	
	Percent	Million rials	Percent	Million rials
Gold and foreign exchange	**25.6**	**22,666,097.1**	**27.1**	**26,121,671.3**
Gold		11,790,812.7		14,758,743.2
Iran's quota of gold in the IMF		557,967.2		543,433.6
Iran's quota and subscription to international agencies		10,317,317.2		10,819,494.5
Government documentary commitment collateralized by the National Jewelry Treasury	**74.4**	**65,833,902.9**	**72.9**	**70,378,328.7**
Government documentary commitment and indebtedness		41,566,356.8		43,222,503.1
Government's promissory notes blocked in note cover (without maturity)		24,267,546.1		27,155,825.6
Total	**100.0**	**88,500,000.0**	**100.0**	**96,500,000.0**

Free Gold Holdings

	End-1386		End-1387	
	Grams	Million rials	Grams	Million rials
Gold in Iran	93,775,084.0632	10,191,775.3	109,291,812.9455	14,868,106.1
Gold abroad-current	12,971,781.5634	1,409,814.6	12,971,781.5634	1,764,686.8
Total	**106,746,865.6266**	**11,601,589.9**	**122,263,594.5089**	**16,632,792.9**

Foreign Exchange Assets

Foreign exchange assets at end-1387 amounted to Rls. 735,744,306 million as in the respective table.

Cash Balance and Sight Deposits

Cash balance and sight deposits at end-1387 were as follows:

Cash Balance and Sight Deposits (million rials)

	End-1386	End-1387
Notes and coins	1,200,445.4	994,474.4
Foreign notes and cash	35,523,649.7	27,428,550.0
Foreign exchange sight deposits	24,892,196.7	50,188,639.5
Total	**61,616,291.8**	**78,611,663.9**

Facilities and Credits

Total facilities and credits extended to government, its affiliated institutions and corporations, and banks amounted to Rls. 299,638,697.1 million. This was after deducting Rls. 43,222,503.0 million as blocked debt in note cover and taking into account other adjustments.

Increase in the outstanding claims on banks (net) was mainly due to the rise in the credit of Iran-Check contracts worth Rls. 62.9 billion, as well as Mehr Housing Program, incomplete projects, and working capital valued at Rls. 42.8 billion.

Facilities and Credits (million rials)

	End-1386	End-1387
Government	73,574,495.4	64,267,641.0
Less blocked debt in note cover	(41,566,356.8)	(43,222,503.0)
	32,008,138.6	**21,045,138.0**
Government institutions and corporations	33,917,934.9	38,835,900.4
Banks	121,249,369.4	239,757,658.7
Total	**187,175,442.9**	**299,638,697.1**

Government Revolving Funds Kept with Banks

On the basis of the Supplement to the CBI contracts with other banks, as of 01.04.1387, 100 percent of the balance of government accounts with each bank is transferred to the CBI, out of which no revolving funds are kept with banks. Therefore, the balance of the mentioned account was totally settled at end-1387. The balance of the revolving funds account amounted to Rls. 16,444,623.3 million at end-1386, which was 12 percent of the balance of government accounts.

Foreign Exchange Assets

	End-1386		End-1387	
	Million dollars	Million rials	Million dollars	Million rials
Foreign notes and cash	3,996.4	35,523,649.7	2,848.5	27,428,550.0
Foreign exchange sight deposits	2,800.3	24,892,196.7	5,212.2	50,188,639.5
Foreign exchange term deposits	49,723.2	441,989,293.7	52,565.6	506,154,021.4
International bonds	17,817.3	158,378,262.5	9,576.1	92,208,228.1
Special Drawing Rights	467.3	4,154,225.9	421.5	4,058,858.4
Foreign treasury documents	1,078.1	9,583,293.7	3,683.5	35,468,271.7
Debtors' suspense account in foreign exchange[1]	885.0	7,867,075.0	566.1	5,450,659.5
Special and clearing accounts	1,460.0	12,977,995.5	884.8	8,520,018.3
Fiduciary accounts of the Algerian Decree	556.5	4,946,544.7	573.8	5,524,780.4
Foreign exchange CDs	1,429.2	12,703,962.5	0.0	0.0
Capital assets	0.0	0.0	77.1	742,278.7
Total	**80,213.3**	**713,016,499.9**	**76,409.2**	**735,744,306.0**

[1] Of which, about $90 million is related to Sudan and Tanzania.

Fixed Assets [1]

Fixed assets at the end of 1387 are as follows:

Fixed Assets (million rials)

	Immovable assets	Movable assets	Total
Total price			
01.01.1387	7,803,610.4	161,073.1	**7,964,683.5**
Increase	215,241.8	39,333.2	**254,575.0**
Decrease	(7,275.0)	(3,872.1)	**(11,147.1)**
Adjustments	0.0	(326.5)	**(326.5)**
	8,011,577.2	**196,207.7**	**8,207,784.9**
Accumulated depreciation			
01.01.1387	217,321.3	114,239.9	**331,561.2**
Depreciation in 1387	184,001.8	11,330.1	**195,331.9** [1]
Depreciation of sold assets	(316.1)	(3,444.1)	**(3,760.2)**
Transfers and others	0.0	219.2	**219.2**
Total on 30.12.1387	**401,007.0**	**122,345.1**	**523,352.1**
Net book value			
On 01.01.1387	7,586,289.1	46,833.2	**7,633,122.3**
On 30.12.1387	7,610,570.2	73,862.6	**7,684,432.8**

[1] Depreciation in 1387 includes depreciation cost of CBI, depreciation cost of Print and Mint Organization and Takab Security Paper Mill, and other items (adjustments) which were respectively Rls. 84.9 billion, Rls. 101.5 billion, and Rls. 8.9 billion.

Other Assets

Other assets held at the CBI at the end of 1387 are as follows:

Other Assets (million rials)

	End-1386	End-1387
Silver holdings	7,036.9	100,233.2
Stamp holdings	430.9	425.6
Coin holdings	166,622.8	415,809.5
Investment in other institutions	134,188.7	134,188.7
Ancient coins	8.7	8.7
Miscellaneous assets	428,819.2	478,354.8
Revolving funds	333.8	888.8
Prepayments (mainly tax)	1,575,753.9	2,014,381.2
Debtors' suspense account	124,143.9	137,855.5
Provisional items	11,595.7	563.1
Projects to be completed	274,283.2	302,885.2
Result of conversion of foreign facilities	89,109.8	27,229.0
Claims for long-term facilities	215,346.7	141,540.0
Total	**3,027,674.2**	**3,754,363.3**

[1] CBI's fixed assets enjoyed sufficient insurance coverage during the review year.

Customers' Undertakings regarding Opened Letters of Credit and Guarantees

Total customers' undertakings regarding opened letters of credit and guarantees at the end of 1387 are as follows:

Customers' Undertakings regarding Opened Letters of Credit and Guarantees (million rials)

	End-1386	End-1387
Customers' undertakings regarding opened letters of credit in rials	4,312,768.5	7,867,974.4
Customers' undertakings regarding brokers' guarantees	2,947,645.9	2,592,705.2
Customers' undertakings regarding opened letters of credit in foreign exchange	5,496,541.4	7,523,912.0
Total	**12,756,955.8**	**17,984,591.6**

B. Liabilities

Notes Issued

New notes issued in 1387 totaled Rls. 8,000,000 million. Thus, total issued notes amounted to Rls. 96,500,000 million at the end of 1387.

Iran-Checks Issued

Based on Cabinet Approval dated 21.12.1386, Central Bank of the Islamic Republic of Iran issued Iran-Checks in 1387. The balance of issued Iran-Checks account came to Rls. 110,004,077.5 million at end-1387.

Coins Issued

A total of Rls. 95,062.3 million coins were issued in 1387, bringing the total coins issued to Rls. 842,581.2 million at the end of 1387.

According to the Monetary and Banking Law and the letter of the Minister of Economic Affairs and Finance (No. 12648, dated 05.04.1386), the ceiling for the issuance of coins was determined at Rls. 1,000,000 million.

CBI's Participation Papers

Since the maturity date of participation papers issued in 1386 was in 1387, and they were not replaced by new papers, the balance of the mentioned account was totally settled in 1387. The balance of participation papers account amounted to Rls. 16,371,658 million at end-1386.

Deposits

Total sight deposits of government, government institutions and corporations, non-government public institutions and corporations, banks and credit institutions, together with other deposits, amounted to Rls. 782,499,932.6 million at the end of 1387, as is shown in the respective table.

According to the executive by-law of Article 1, the 4th FYDP Law, the government deposited Rls. 126,534,431.3 million into the OSF, the sum of which equaled $13,141 million. Corresponding figures of the previous year were Rls. 205,996,162.3 million and $23,174.3 million.

Deposits (million rials)

	End-1386	End-1387
Government	372,074,447.4	358,513,631.7
Government institutions and corporations	17,505,093.8	21,514,910.7
Non-government public institutions and corporations	2,017,948.7	1,124,590.1
Banks and credit institutions:		
Legal	236,995,926.0	225,191,588.6
Sight	14,444,716.2	105,514,737.8
Term investment	27,166,744.4	3,751,885.5
LCs and order registration	40,877.6	36,214.9
Sub-total	**278,648,264.2**	**334,494,426.8**
Others	80,560,853.7	66,852,373.3
Total	**750,806,607.8**	**782,499,932.6**

Income Tax

Income tax of the CBI on the basis of the Amended Direct Tax Law approved in 1380 was set at Rls. 6,511,808.2 million for 1387, of which Rls. 4,486,150.0 million was paid (Rls. 1,986,150 million in implementation of Note 1 to the Budget Law for 1387 and Rls. 2,500,000 million in Ordibehesht 1388).

Share of Government in Net Profit

According to the Monetary and Banking Law, the remainder of profit, after profit appropriation according to Article 25 of the said Law, belongs to the government. Share of government in the net profit of the CBI in 1387 amounted to Rls. 10,370,976.0 million. The corresponding figure for the year 1386 was Rls. 8,866,259.0 million.

Other Liabilities

Other liabilities of the CBI amounted to Rls. 36,253,457.0 million at the end of 1387, as follows:

Other Liabilities (million rials)

	End-1386	End-1387
Documents payable	24,139,318.4	23,313,786.7
SDR allocations	3,588,599.4	3,495,126.0 [1]
Sight deposits of departments within the bank	773,761.4	1,151,191.3
Creditors' suspense account in foreign exchange	4,190,698.3	3,356,179.1
Creditors' suspense account in rials	2,205,314.5	4,127,671.8
CBI's receipts in connection with the Algerian Decree	26,259.3	16,155.5
Liabilities related to projects to be completed	12,305.6	12,311.1
Long-term facilities extended by foreign banks	860,901.7	650,799.3
Issued Eurobonds	5,245,500.0	0.0
	41,042,658.6	**36,123,220.8**
0.5% allocated to low-income groups for provision of housing	99,130.7	130,236.2
Total	**41,141,789.3**	**36,253,457.0**

[1] A sum of SDR 244,056 thousand was related to Iran's quota in IMF.

Retirement Benefits

Retirement benefits at the end of 1387 amounted to Rls. 172,135.7 million, as follows:

Retirement Benefits

(million rials)

	End-1386	End-1387
Balance at the beginning of the year	102,471.0	158,421.2
Payment during the year	(18,586.8)	(80,001.2)
Expenditures during the year	74,537.0	93,715.7
Balance at year-end	**158,421.2**	**172,135.7**

Capital

The CBI's capital amounted to Rls. 15,000,000 million at the end of 1387, indicating an increase of Rls. 3,800,000 million as compared with the previous year. This increase was financed from the contingency reserve of 1386, based on the proposal of the Extraordinary General Assembly on 03.09.1387 and the Cabinet Approval on 01.01.1388, subject of Article 10, the Monetary and Banking Law of Iran.

Legal Reserve

Based on Article 25 of the Monetary and Banking Law, 10 percent of net profit of CBI is required to be held in a legal reserve account, so that the total legal reserve will equal the CBI's capital. The total legal reserve for 1387 was Rls. 7,019,468.8 million.

Contingency Reserve

According to Article 25 of the Monetary and Banking Law, an amount is to be held in the contingency reserve account each year, based on the proposal of the CBI and approval of the General Assembly. The contingency reserve for 1387 amounted to Rls. 6,331,369.3 million.

Reserve for Foreign Exchange Conversion

Foreign exchange assets' and liabilities' revaluation reserve in 1387 amounted to Rls. 89,443,260.0 million at 29.12.1387 rates.

Reserve for Foreign Exchange Conversion

(million rials)

	End-1386	End-1387
Gold	1,222,509.6	3,040,246.7
Quota and subscription to international agencies	1,803,177.6	1,899,809.2
Foreign exchange holdings	94,412,974.6	83,897,817.9
Clearing accounts	175,528.3	605,386.2
Total	**97,614,190.1**	**89,443,260.0**

Details of Profit and Loss Account as at the end of 1387
(March 20, 2009)

A. Expenditures

Cost of Receiving Credit and Overdraft from Foreign Banks

The cost of receiving credit and overdraft from foreign banks amounted to Rls. 74,852.1 million as follows:

Cost of Receiving Credit and Overdraft from Foreign Banks

(million rials)

	1386	1387
Correspondents	5,401.5	257.9
Overdraft	133,755.3	74,594.2
Total	**139,156.8**	**74,852.1**

Profit Paid on Foreign Exchange Accounts

Profit paid on foreign exchange accounts including banks' foreign exchange sight deposits with the CBI, amounted to Rls. 570,485.8 million. Moreover, a sum of Rls. 245,248.9 million was paid as profit by the CBI for receiving deposit from Bank of Industry and Mine and Export Development Bank of Iran.

Rewards Paid on Banks' Legal Deposit

As approved at the 788th session of MCC on 15.12.1371, Rls. 2,261,386.1 million was paid as rewards on legal deposit in 1387.

Profit Paid on CBI's Participation Papers

The profit accrued to CBI's participation papers amounted to Rls. 1,211,888.3 million in 1387 and this was considered in the accounts. The corresponding figure for 1386 was Rls. 4,169,697.5 million. Decline in 1387 was mainly owing to the fact that new participation papers were not issued in 1387.

Profit Paid on Banks' Special Deposits

A total of Rls. 1,338,374.4 million was paid as profit on banks' special deposits in 1387.

Commission Paid on Banking Services

The commission paid on banking services by the CBI amounted to Rls. 613,478.5 million, as shown in the following table:

Commission Paid on Banking Services (million rials)

	1386	1387
Paid to banks for government accounts	375,000.0	465,000.0
Purchase of notes from abroad	5,258.0	12,704.7
Paid to correspondents	9,765.9	135,773.8
Total	**390,023.9**	**613,478.5**

Commission paid to banks for government accounts is based on the 670th Approval of MCC on 17.04.1368 and the annual approved budget of the CBI, on the basis of the average balance of government accounts kept with banks (transferred to CBI's accounts).

Personnel and Administrative Expenditures

Personnel and administrative expenditures in 1387 and its comparison with the approved budget figures are shown in the following table:

Personnel and Administrative Expenditures (million rials)

	1386		1387	
	Approved budget	Performance	Approved budget	Performance
Personnel	665,367.0	632,349.9	856,146.4	833,779.3
Administrative	387,965.5	316,204.1	440,328.0	350,063.2
Total	**1,053,332.5**	**948,554.0**	**1,296,474.4**	**1,183,842.5**

In 1387, about 30 percent of the increase in personnel expenditures was related to the implementation of prior to the contractual due date retirement plan and its ensuing expenses based on Cabinet Approval dated 10.10.1386 and the executive by-law dated 27.12.1386.

Money Issue and Miscellaneous Printing Expenditures

The total money issue and miscellaneous printing expenditures were Rls. 700,697.4 million in the review year, mainly related to the increase in the cost of issuance of notes, Iran-Checks, and coins.

Depreciation Cost

In 1387, a sum of Rls. 84,859.4 million was allocated as depreciation cost of movable and immovable assets, as follows:

Depreciation Cost (million rials)

	1386	1387
Movable assets	6,885.2	9,922.2
Immovable assets	77,985.1	74,937.2
Total	**84,870.3**	**84,859.4**

Additionally, a sum of Rls. 101,513.5 million related to depreciation cost of movable and immovable assets, and machinery of the Print and Mint Organization and Takab Security Paper Mill was deposited into the currency issuance account.

Other Expenditures

Other expenditures amounted to Rls. 1,880.1 million as follows:

Other Expenditures (million rials)

	1386	1387
Gold transportation and insurance	34.9	488.4
Contingent expenses	13,476.7	938.1
Differential of foreign exchange smuggling	1,298.7	453.6
Total	**14,810.3**	**1,880.1**

B. Revenues

Returns on Deposits and Investment Abroad

Returns on deposits and investment abroad amounted to Rls. 16,066,112.0 million, as follows:

Returns on Deposits and Investment Abroad

(million rials)

	End-1386	End-1387
Foreign exchange term deposits	16,638,347.0	22,060,210.5
Foreign exchange sight deposits & special & clearing accounts	658,844.8	919,641.0
Foreign bonds	5,766,452.5	3,124,731.1
Algerian Decree	314,947.8	175,285.9
SDR	154,019.7	86,175.3
Certificates of deposit (CDs)	649,261.8	30,042.6
Profit of OSF account	(6,083,897.6)	(10,329,974.4)
Total	**18,097,976.0**	**16,066,112.0**

Based on Article 9, executive by-law of Article 1, 4th FYDP Law, a sum of Rls. 10,329,974.4 million has been registered as the profit of the OSF account for 1387 fiscal year. Based on the MCC approval on 27.03.1380, this figure has been deducted from the returns on deposits and investment abroad.

Profit Received from Extended Facilities

The profit received from extended facilities in 1387 increased to Rls. 7,968,510.1 million.

Profit Received from Extended Facilities (million rials)

	1386	1387
Government	351,019.5	33,402.8
Government institutions and corporations	1,343,499.4	883,707.0
Banks	5,345,727.1	7,049,376.5 [1]
Algerian Decree	3,727.7	2,023.8
Total	**7,043,973.7**	**7,968,510.1**

[1] Increase compared with the preceding year is due to the rise in the value of concluded contracts for participation papers and Iran-Checks.

Commission Received for Banking Services

Commission received for banking services totaled Rls. 288,440.2 million, as follows:

Commission Received for Banking Services (million rials)

	End-1386	End-1387
Letters of credit	201,262.0	271,957.2
Foreign exchange bills and drafts	6,436.8	5,920.3
Miscellaneous	1,084.0	10,562.7
Total	**208,782.8**	**288,440.2**

Result of Foreign Exchange and Gold Transactions

The income received from foreign exchange and gold transactions in 1387 was as follows:

Result of Foreign Exchange and Gold Transactions (million rials)

	End-1386	End-1387
Foreign exchange losses	958,422.1	6,172,340.0
Profit derived from international bonds transactions	577,646.5	1,797,155.2
Profit received from gold transactions	2,717,572.0	0.0
Profit received from treasury documents transactions	57,113.4	67,563.7
Total	**4,310,754.0**	**8,037,058.9**
Revaluation of international bonds	(30,685.4)	(6,751.8)

Other Incomes

Other incomes of the CBI amounted to Rls. 1,861,065.3 million as is shown in the following table:

Other Incomes (million rials)

	End-1386	End-1387
Profit from investment in other institutions	48,256.2	74,342.1
Miscellaneous revenues of the Print and Mint Organization, and Takab Security Paper Mill	221,388.4	3,202.9
Revenue received from sale of gold coins	1,979,105.8	1,766,385.6
Miscellaneous	15,483.7	17,134.7
Total	**2,264,234.1**	**1,861,065.3**

In the review year, Rls. 30,207.1 million of the profit from investment in other institutions is related to CBI's dividend in the National Investment Company of Iran (NICI) and Rls. 44,135.0 million in the National Informatics Corporation.

Meanwhile, Rls. 3,202.9 million of the revenue of Takab Security Paper Mill was received from handling the orders of other banks and organizations.

Appropriation Account

The net profit of the CBI in 1387 amounted to Rls. 25,927,441,246 thousand. The net profit of Rls. 614 thousand was carried forward and added to the above figure, bringing the total amount to Rls. 25,927,441,860 thousand which was proposed to be appropriated as follows:

Appropriation Account (thousand rials)

	1386	1387
Income tax	4,956,536,064	6,511,808,179
Transfer to legal reserve	1,966,564,961	2,592,744,125
Transfer to contingency reserve	3,777,159,000	6,321,677,000
Share of the government in net profit	8,866,259,000	10,370,976,000
0.5 percent allocated to low-income groups for provision of housing	99,130,721	130,236,163
Balance of net profit carried forward	614	393
Total	**19,665,650,360**	**25,927,441,860**

Annex 109

Clearstream Banking S.A., General Terms and Conditions, 2008

General Terms and Conditions

July 2008 edition

Document number: 0067/07.2008

Foreword

These General Terms and Conditions set forth the terms and conditions governing the provision of services and products by Clearstream Banking, société anonyme, Luxembourg ("CBL") to its Customers.

The provision of any such services and/or products by CBL to a Customer shall result in such Customer being bound by these General Terms and Conditions which shall apply to all the accounts of the Customer with CBL, unless expressly agreed to the contrary in writing.

The English version of these General Terms and Conditions is legally binding and shall prevail over the French translation which has been provided for commercial reasons only.

Customers are requested to duly complete and execute the "Acknowledgement of Receipt and Acceptance" attached herewith and return it to:

Clearstream Banking, Luxembourg, Credit Unit,
42 Avenue JF Kennedy
L-1855 Luxembourg

The Customer understands and acknowledges that, in the event that the Customer fails properly to execute and return this 'Acknowledgement of Receipt and Acceptance', CBL retains the right to decline to provide services and/or products or to perform any obligation pursuant to the General Terms and Conditions or pursuant to any other agreement between CBL and such Customer.

1. General

Article 1

The following terms shall have the following meanings when used in these General Terms and Conditions:

Business day
A day on which CBL is open for business.

Clearstream Banking, Luxembourg ("CBL")
Clearstream Banking, Luxembourg, a duly licensed bank organised as a société anonyme incorporated under the laws of the Grand Duchy of Luxembourg, hereinafter referred to as "CBL".

CBL system
The clearance and settlement system operated by CBL.

Customer
A legal person or entity, whether public or private, which has been accepted by CBL as a Customer.

Delivery
Physical delivery or transfer by book entry, as the context may indicate.

Governing Documents
The General Terms and Conditions and the Customer Handbook which may be amended from time to time, and such other documents as CBL may, from time to time, so designate.

Reversal order
Any law, regulation, order, judgement, injunction, asset freeze or other action of, or by, any government, court or other instrumentality of government, the legal effect of which is to:

i) deprive CBL, the Customer, the Customer's counterparty, or any clearance system, depository, sub-depository, custodian or sub-custodian or any agent, acting on behalf of any of the foregoing, of the ability or authority to deliver securities, precious metals, currency or other assets or to make credits or debits to the account of one of the foregoing;

ii) constitute a determination that an entity listed in clause (i) did not have such ability or authority;

iii) require an entity listed in clause (i) to revoke, reverse, rescind or correct such debits or credits, or both.

Securities
Certificates of deposit, shares, notes and in general any instrument evidencing the ownership or creditor's rights whether in bearer or registered form, whether endorsable or not and any instrument or right (including a right not represented by a writing) which CBL considers, in its discretion, to be a security.

Stop order
A stop-transfer or similar order lodged with the relevant issuer, registrar or fiscal or similar agent or any court or any governmental body.

Stop order notice
An officially published notice of loss, theft, cancellation, opposition or nullification proceedings, or, a listing with any international self-regulatory organisation that a security is lost, stolen, cancelled, opposed or the subject of nullification proceedings or of a stop-transfer or similar order.

Article 2

These General Terms and Conditions set forth the terms and conditions governing the provision of services by CBL to its Customers, including but not limited to the clearance, settlement, custody and administration of securities, other financial instruments and precious metals, and any other services which are offered by CBL now or will be in the future. All handbooks, instructions, documents or other publications issued by CBL shall be subject to these General Terms and Conditions, except as may be specifically provided therein.

Article 3

CBL reserves the right not to accept an applicant for CBL services as a Customer. CBL is not obliged to disclose its reasons for not accepting any applicant.

Article 4

CBL will establish on its books such accounts for the Customer as CBL requires from time to time for the conduct of the Customer's business.

All such accounts shall be opened in the name of the Customer, who will be responsible and solely liable for the fulfilment of all obligations pertaining thereto.

2. Securities

Article 5

CBL will accept deposits of securities designated as eligible for deposit and delivery within the CBL system on lists published by CBL. CBL may revise these lists from time to time. In the event that CBL removes securities from such lists, CBL shall return to each relevant Customer such securities in its possession, or, deliver such securities to a third party in accordance with the Customer's reasonable instructions and in accordance with the terms and conditions of the Governing Documents.

Article 6

[repealed]

Article 7

CBL shall treat all securities received as fungible.

Article 8

Securities deposited with CBL must be of good delivery at the time of deposit and thereafter. CBL determines whether securities are of good delivery. Reasons for determining that securities are not of good delivery include, but are not limited to, the following:

i) the securities have been called for redemption prior to delivery to CBL;

ii) there is an apparent or actual defect in the title to such securities;

iii) there is an encumbrance affecting such securities which means that they cannot be freely transferred or delivered free of such encumbrance in any relevant market;

iv) the securities are, or become, subject to a stop order or a stop order notice;

v) deposit of such securities would violate any law, regulation or order of any government, governmental agency (including any court or tribunal), or, self-regulatory organisation, or would subject CBL, its nominee or any third party on whose behalf CBL is acting, to any requirements under any law, regulation or order by reason of the acceptance or holding of such securities by CBL, its nominee or such third party;

vi) certificates representing such securities are not genuine, or are not in good physical condition;

vii) unexercised warrants or similar rights are not attached to certificates representing such securities, unless all such unattached warrants or similar rights are eligible for deposit and delivery within the CBL system, independently from such securities;

viii) the securities are registered securities or uncertificated securities, unless such securities have been registered in such fashion or provided with such transfer documents as may be required by CBL; or

ix) any other circumstance exists which leads CBL or any agent or depository of CBL receiving delivery of such securities to consider that such securities are not of good delivery.

Article 9

Any security found not to be of good delivery at any time after its deposit with CBL may be debited to the account of the Customer for whose account the security was most recently deposited into the CBL system. If the credit balance of such security in the Customer's account is insufficient to cover such debit, the Customer shall immediately replace such security with an equivalent security of good delivery. If such Customer does not, within the terms foreseen by the Governing Documents, so deliver (or cause to be credited) such securities, CBL may purchase, for the account and at the sole expense of such Customer, the amount of such securities.

The Customer shall indemnify CBL in respect of any direct or indirect loss, claim, liability or expense suffered or incurred by CBL arising from the fact that securities deposited by it, or for it, with CBL are found to be not of good delivery, unless such is due to the gross negligence or wilful misconduct of CBL.

Article 10

In the case of a security which is the subject of a stop order, the Customer who deposited the security shall use its reasonable best efforts to cause such stop order to be promptly lifted. If the stop order is not promptly lifted, CBL is authorised to return the security to the Customer at the Customer's expense, and to debit such security to the Customer's account. Stop orders with respect to Luxembourg securities shall be uplifted in accordance with applicable law.

Article 11

No Customer shall have any right to specific securities but, each Customer will instead be entitled, subject to these General Terms and Conditions, to require CBL to deliver to the Customer or a third party an amount of securities of an issue equivalent to the amount credited to any securities account in the Customer's name, without regard to the certificate numbers of any securities certificates. CBL's obligation to any Customer with respect to such securities will be limited to effecting such delivery. CBL may decline to execute, or execute only in part, a request to physically deliver certificates representing fungible securities if CBL does not have certificates in the appropriate denominations available.

If CBL does not have available certificates in the appropriate denominations, CBL undertakes, at the Customer's request and expense, to obtain certificates in the appropriate denominations.

Article 12

Transfers of securities between accounts within the CBL system shall be effected by book-entry only. Any other delivery of securities shall be made by physical delivery.

Article 13

If a Customer instructs CBL to deliver or transfer an amount of securities of a given issue which, after giving effect to any outstanding credits or applicable securities lending provisions, exceeds the available and freely transferable amount of such securities standing to the Customer's credit, CBL may refuse to execute the instruction or execute it only to the extent of the securities standing to the credit of the Customer's account.

Article 14

Physical deliveries of certificates representing securities shall be at the expense and risk of the Customer requesting the delivery. CBL reserves the right to determine the appropriate method of physical delivery for such certificates, and the extent and writer of any insurance coverage for such delivery. The costs of such insurance shall be borne by the Customer.

Article 15

CBL shall not be under any obligation to keep the securities deposited with it at the place where the deposit is made. Accordingly, CBL may hold the securities at any other place or deposit them with other depositories, in Luxembourg or abroad, including banks, custodians and sub-custodians, or other clearing systems upon such terms and conditions as may be customary for deposits with such entities, or upon such other terms and conditions as may be approved by CBL. CBL may permit any such entity, in turn, to redeposit or hold securities with one or more other entities used by it without the prior approval by CBL. The names and addresses of the depositories used by CBL will be furnished to the Customer upon request.

Article 16

In the event of the mutilation, loss, theft, destruction or other unavailability of deposited securities, CBL may apply for the issue of stop orders or initiate such other measures as CBL may deem appropriate under the circumstances, and may endeavour to replace

such securities in accordance with the laws or practices of the relevant countries and the terms and conditions of the relevant securities. The Customer shall undertake such steps to assist in effecting the recovery of such securities as CBL may reasonably request. Unless such mutilation, loss, theft, destruction or other unavailability is due to CBL's gross negligence or wilful misconduct, the Customer shall bear the expenses of any such measures undertaken by CBL to recover or replace such securities.

Article 17

CBL has no obligation to investigate, nor makes representation with respect to, nor has any liability for the financial condition or corporate status of any issuer or guarantor of securities accepted for deposit pursuant of these General Terms and Conditions, nor for the validity of any such securities.

Article 18

CBL has no obligation to take any action with respect to any rights, options or warrants, nor to attend on behalf of or represent the Customer at meetings of holders of securities nor at any other occasion where action by the holder of securities is required or permitted, except to the extent that CBL has been explicitly instructed by the Customer, and has, in writing, agreed to take such action, or as otherwise provided in the Governing Documents. CBL provides Securities related information to its Customers on a best effort basis. However, in accordance with the provisions of article 48, CBL does not warrant the accuracy or completeness of such information.

Article 19

In connection with a Customer's attendance, in person or by proxy, at a meeting of holders of securities, CBL shall, at the request of the Customer, block the relevant securities for the required period and issue a certificate to that effect.

Article 20

CBL will collect securities (including, without limitation, stock dividends and securities issued upon the exercise of any option, right or warrant of a deposited security or attached thereto) or cash amounts distributable or payable in respect of the principal of, premium or interest on, or dividends or other amounts in respect of securities deposited by the Customer with CBL. At the instruction of the Customer, CBL will convert deposited securities from one form to another, shall surrender deposited securities upon the maturity or redemption thereof, shall obtain new coupon sheets when made available by the issuer of deposited securities, and shall provide such other similar services in relation to the safekeeping of securities as CBL and the Customer may from time to time agree. Distribution of a right with respect to a security held for a Customer shall be credited to the relevant Customer account.

Article 21

CBL shall promptly transmit to the appropriate agent of the issuer any order received from a Customer constituting the exercise of a right, option or warrant held for the account of such Customer.

Securities received upon such exercise will be credited to the relevant Customer account if such securities are eligible for deposit and delivery in the CBL system; otherwise, CBL will deliver such securities to the Customer at the Customer's risk and expense.

Rights for which CBL has been instructed to transmit a notice of exercise will be withdrawn from the Customer's account on the day of the transmittal of the notice of exercise to the agent of the issuer.

Article 22

The allocation of securities for redemption, in accordance with a partial redemption notice, will occur only after CBL has been officially notified of the drawn numbers. Such allocation will be made on the basis of reported positions at the time of the allocations. Drawn numbers will be allocated among the holdings of such securities in the CBL system.

3. Cash accounts

Article 23

CBL shall establish one or more cash accounts for each Customer with the purpose of making and receiving payments in connection with the transfer of securities, precious metals and other assets, for the payment of fees, commissions or other charges due from the Customer to CBL, and for other purposes. Cash accounts may consist of several sub-divisions in different currencies or units of account, as appropriate.

CBL may effect transfers between a Customer's cash accounts or subdivisions thereof in connection with payments executed on behalf of the Customer.

Except to the extent otherwise governed by a separate written agreement between the Customer and CBL, the Customer shall not have the right to cause, or permit, any of its cash accounts or any sub-division to have a debit balance. In the event of such a debit balance the Customer shall immediately deliver for credit (or otherwise cause to be credited) to such cash account a supply of sufficient freely available funds in the relevant currency to eliminate such debit balance. CBL reserves the right not to execute any instruction if it would cause a debit balance to exist in any Customer's account (or any subdivision), or, if a debit balance exists on one or more accounts (or any subdivision).

CBL will provide the Customer with the terms and conditions, including any applicable interest rates, governing credit and debit balances of the Customer's cash accounts. CBL reserves the right to modify such terms and conditions, and shall notify the Customer accordingly.

Article 24

Debits and credits will be made to cash accounts in accordance with the Governing Documents. In the case of credit entries made on the basis of pre-advices, such credit entries will be conditional upon CBL receiving final confirmation of payments by the payor and of actual receipt of such payment in freely available funds for CBL's account at its cash correspondent bank. The Customer shall ensure that all pre-advised transfers are finally and irrevocably received for CBL's account at the due time, and, at the appropriate cash correspondent bank of CBL.

4. Precious metal accounts

Article 25

CBL will accept deposits of precious metals in the kinds, forms and qualities designated as eligible for deposit and delivery within the CBL system on lists published by CBL. CBL may revise these lists from time to time. In the event that CBL removes specific kinds, forms or qualities of precious metals from such lists, CBL shall return to each relevant Customer such precious metals in its possession, or, deliver such precious metals to a third party in accordance with the Customer's reasonable instructions and in accordance with the terms and conditions of the Governing Documents.

Article 26

Precious metals will be held on a fungible basis.

Deposits in precious metal accounts shall be fungible only as regards each kind, form or quality of precious metal. The quantities of each kind, form, or quality of precious metal shall be held separately by CBL, its depository, or depositories, and the total quantity of each kind, form or quality thereof shall be the exclusive and separate property of the persons for whom CBL holds such metal.

Article 27

Precious metals deposited with CBL must be of good delivery at the time of deposit and thereafter. The provisions of the Grand-Ducal Regulation of 18th December, 1981, as amended from time to time, shall apply. CBL will determine whether precious metals are of good delivery.

Article 28

The provisions in section 2 above regarding securities held with CBL shall apply, mutatis mutandis, to holdings of precious metals to the relevant extent.

5. Fees charged by CBL

Article 29

Fees, commissions and other charges for services provided by CBL are contained in the Fee Schedule provided to the Customer, as may be modified by CBL from time to time. CBL will give the Customer advance notice of such modifications.

Article 30

To the extent that such are not included in the fees, commissions and other charges set forth in the Fee Schedule, the Customer shall bear the cost of any expenses incurred by CBL in connection with the provision of requested services to the Customer or in connection with any action reasonably undertaken on CBL's initiative to protect the interests of the Customer.

Article 31

The Customer authorises CBL to debit to the Customer's cash account or accounts, CBL's fees, commissions and other charges for services rendered, and expenses mentioned in article 30, as well as any other sums owed by the Customer to CBL.

6. Instructions

Article 32

CBL shall prescribe the format, modes of communication and procedures by which a Customer is to tender its instructions to CBL, as well as any authentication procedures or requirements. CBL may amend such formats, modes, procedures or requirements from time to time, and will advise the Customer accordingly.

Article 33

Once an instruction has become irrevocable in accordance with the Governing Documents, CBL may ignore any subsequent cancellation or amendment of such instruction.

Article 34

CBL may refuse to execute an incomplete or incorrect instruction.

Article 35

The Customer shall be liable for any error it has made in composing or transmitting an instruction to CBL.

Article 36

The Customer shall notify CBL in writing of the person or persons authorised to give instructions on its behalf. CBL has no obligation to carry out any investigation in that respect.

Powers of attorney and signatory authorities lodged with CBL shall be valid unless, and until, a revocation or amendment sent by registered letter or tested telex is received by CBL.

Unless such revocation or amendment specifies a later date, such revocation or amendment shall be considered effective on the second business day after the date of its receipt by CBL.

Unless it has been negligent, CBL will not be liable to the Customer for acting in good faith in relying upon documents or instructions regardless of the medium through which such documents or instructions have been received, which bear signatures, powers of attorney, passwords, codes, or other indicia of authenticity which are later determined not to be genuine. The Customer shall hold CBL harmless from any loss, claim, liability or expense asserted against or imposed upon CBL as a result of such action.

Article 37

CBL is not obligated to execute an instruction of a Customer if CBL believes that to do so will or may contravene any law or regulation, any relevant market practice or CBL's general business practice.

If CBL, in good faith, executes an instruction of a Customer which contravenes a law, regulation or market practice, CBL shall not be liable to the Customer for doing so. The Customer shall hold CBL harmless from any loss, claim, liability or expense asserted against or imposed upon CBL as a result of any such contravention.

Article 38

CBL will inform the Customer of the pertinent deadlines for the receipt of instructions for particular processing cycles. These deadlines may be amended by CBL from time to time. CBL shall not be obligated to execute (and shall bear no responsibility if it executes) any instruction in a particular processing cycle received after the deadline for such processing cycle.

Article 39

Notwithstanding any terms or conditions herein to the contrary, and notwithstanding the content of any other communication from the Customer, the Customer hereby authorises to the fullest extent possible (but does not require) CBL to execute the Customer's settlement instructions in advance of the settlement date specified by the Customer and to credit the value from such settled transaction on the settlement date or as otherwise specified in the Governing Documents.

Article 40

The Customer shall provide to CBL all information that CBL may require for submission to legal, regulatory or market authorities, as and when so required. By providing such information, the Customer shall

warrant the completeness and accuracy of such information and shall authorise CBL to act upon such information in good faith, including, but not limited to, transmitting such information to pertinent authorities, or, providing declarations, affidavits or certificates of ownership in connection with services provided by CBL.

CBL shall have no obligation to carry out any investigation in respect of such information. The Customer will hold CBL harmless from any liability resulting from the Customer's failure to provide complete and accurate information.

CBL shall take reasonable measures to ensure that professional secrecy is maintained with regard to the services it provides to the Customer.

Unless otherwise provided in the Governing Documents or unless CBL has been authorised by the Customer so to do, CBL may not disclose to any third party any information relating to, or received from, the Customer except as required by applicable law, regulation or market rule or practice, or by a competent legal, regulatory or market authority.

Article 41

The Customer shall at all times exercise due care in ensuring and maintaining the security of the communications media by which it transmits instructions to CBL or receives reports from CBL.

Article 42

CBL may alter or withdraw any communications facilities it provides to the Customer with prior notice, unless exceptional circumstances preclude the provision of such notice.

7. Right of retention, pledge, set-off and other rights of CBL

Article 43

CBL shall have a general right of retention, with respect to any securities, currencies and precious metals held by the Customer within the CBL system, now or in the future, whether at CBL or at another location, to secure the entire present or future obligations which the Customer has or may subsequently have towards CBL, in consequence of the services rendered to it by CBL.

Article 44

All securities, currencies and precious metals held by the Customer within the CBL system, now or in the future, whether at CBL or at another location, are pledged in favour of CBL to secure the entire present or future obligations which the Customer has, or may subsequently have, towards CBL in consequence of any credit extensions by CBL to the Customer.

It is expressly agreed and understood that all securities, currencies and precious metals accounts of the Customer within the CBL system are, unless agreed upon to the contrary in writing, special accounts for the purpose of perfecting the pledge granted by the foregoing provisions.

The Customer shall notify CBL if securities, currencies and precious metals are deposited which the Customer holds on behalf of its clients and which may not be pledged. Upon receipt of such notification, CBL shall be entitled to demand, as a condition for continuing its relationship with the Customer, adequate security for such credit exposure of such Customer to CBL. In the absence of such notification, CBL will be entitled to assume that all securities, currencies and precious metals are held for the account of the Customer.

Article 45

Except to the extent otherwise governed by a separate written agreement between the Customer and CBL, the Customer shall not have the right to cause any of its accounts in securities, currencies, precious metals, or other assets with CBL to have a debit balance, and in the event of such a debit balance the Customer shall immediately deliver for credit (or otherwise cause to be credited) to such account sufficient securities, currencies, precious metals, or other assets, as appropriate, to eliminate such debit balance. If, within seven business days, the Customer does not so deliver (or otherwise cause to be credited) such securities, precious metals, currencies or other assets, CBL may purchase on such market, in such manner and for such consideration as CBL shall deem appropriate, for the account and at the expense of such Customer, such amount of securities, precious metals, currencies or other assets sufficient to eliminate such debit balance. CBL reserves the right not to execute any instruction if it would cause a debit balance to exist in an account (or any sub-division) of the Customer (except in the case of an instruction which relates to assets held for the Customer's clients), or, if a debit balance exists on one or more accounts (or any sub-division).

Article 46

Except to the extent specifically agreed between CBL and the Customer in writing to the contrary and except to the extent that any credit balance on any account of the Customer is, or represents, an asset which the Customer hold on behalf of its clients:

i) all accounts of a Customer shall be considered, in fact and in law, to be the elements of one sole and indivisible account;

ii) CBL may at any time set off, in whole or in part, credit and debit balances of the Customer; and

iii) CBL reserves the right to transfer the balance of any account or subdivision in credit to any account or subdivision in debit at any time and without any prior notice, even if such accounts or sub-divisions are maintained in different currencies, or, if the transactions therein are reported in different statements of account. CBL shall be authorised to sell any securities, precious metals or other assets standing to the credit of the Customer for this purpose, and may also for this purpose effect all conversions into a currency of its choice at the rate of exchange existing on the date of such conversion.

CBL will promptly notify the Customer of any such set-off, transfer, sale or conversion.

8. General provisions

Article 47

CBL may engage third parties to provide any of the services to be provided by CBL pursuant of the Governing Documents.

Article 48

CBL undertakes to perform such duties and only such duties as are specifically set forth in these General Terms and Conditions or in the Governing Documents. In the absence of negligence or wilful misconduct on its part, CBL shall not be liable to the Customer for any loss, claim, liability, expense or damage arising from any action taken or omitted to be taken by CBL, in connection with the provision of services contemplated hereby and by the Governing Documents. CBL, however, shall not be liable for any indirect or unforeseeable loss, claim, liability, expense or other damage unless such action or omission constitutes gross negligence or wilful misconduct on the part of CBL.

CBL shall not be liable for any action taken, or any failure to take any action required to be taken which fulfils its obligations hereunder in the event and to the extent that the taking of such action or such failure arises out of or is caused by events beyond CBL's reasonable control, including, without limitation, war, insurrection, riots, civil or military conflict, sabotage, labour unrest, strike, lock-out, fire, water damage, acts of God, accident, explosion, mechanical breakdown, computer or systems failure, failure of equipment, failure or malfunction of communications media, or interruption of power supplies; the failure to perform, for any reason, of the Customer's counterparty or of such counterparty's depository, custodian, or financial institution; acts or omissions of issuers and any entity acting for such issuers, order routers; the acts or omissions of (or the bankruptcy or insolvency of) any of CBL's depositories, sub-depositories, custodians, sub-custodians or of any other clearance system or of any carrier transporting securities between CBL and/or any of the foregoing; the failure to perform for any reason of, or the incorrect performance of, any financial institution used by and properly instructed by CBL to carry out payment instructions; reversal order, law, judicial process, decree, regulation, order or other action of any government, governmental body (including any court or tribunal or central bank or military authority), or self-regulatory organisation.

If, however, a Customer suffers any loss or liability as the result of any act or omission of, or the bankruptcy or insolvency of, any entity acting for issuers and in charge of such issuers register, CBL's depositories, sub-depositories, custodians, sub-custodians or of any other clearance system or of any carrier transporting securities between CBL and/or any of the foregoing, CBL shall take such steps in order to effect a recovery as it shall reasonably deem appropriate under all the circumstances. This is provided that CBL, unless it shall be liable for such loss or liability by virtue of its gross negligence or wilful misconduct, shall charge to the Customer the amount of any cost or expense incurred in effecting, or attempting to effect, such recovery.

If, in CBL's judgement, one of the events described in this article occurs or appears likely to occur, CBL reserves the right to undertake such measures as it may deem necessary to protect the interests of CBL and/or its Customers.

Article 49

CBL shall provide statements of account to the Customer as specified in the Governing Documents. The statements shall be considered to have been accepted and approved unless the Customer notifies CBL to the contrary within thirty calendar days after the statement has been mailed or made available through telecommunications facilities, as applicable.

Article 50

CBL reserves the right to reverse any erroneous debit or credit entries to any account at any time. An erroneous debit or credit entry shall include, but not be limited to, a debit or credit made in connection with a transaction which becomes subject to a reversal order.

Losses in a collective holding of a particular class of securities are to be borne jointly and on a pro rata basis by the co-owners of the collective holding on the basis of the credit balance existing at the time where the loss occurred. If it is not possible to determine such time, the close of the books on the day immediately preceding the day on which the loss was discovered shall be conclusive.

Article 51

The Customer undertakes to comply with (i) all laws, decrees, regulations and governmental orders (including, but not limited to, any orders, writs, judgements, injunctions, decrees, stipulations, determinations or awards entered by any court, tribunal, government, governmental authority, regulatory, self regulatory or administrative agency or governmental commission) applicable to the Customer, or to securities, precious metals, currencies or other assets held on the Customer's behalf by CBL, or, regarding the services requested by the Customer, performed or to be performed, for the Customer, or on the Customer's behalf, by CBL, and (ii) any contract, agreement or other instrument binding upon the Customer. The Customer shall indemnify CBL against any loss, claim, damage, liability or expense incurred by CBL (i) as a result of the failure of the Customer to fulfil the obligations set forth in the preceding sentence, or (ii) by virtue of the fact that CBL holds securities, precious metals, currencies or other assets deposited by the Customer or has received payments in connection therewith, or in connection with, any transaction performed, or to be performed, at the instruction or on behalf of the Customer, and, arising out of, or, caused by the operation of any laws, decrees, regulations or governmental orders, or (iii) as a result of Customer's direct instruction to issuers or any entity acting for such issuers, or (iv) as the case may be, as a result of the exercise by the final investors or by the Customer, of their respective rights to claim direct ownership in their respective assets held by CBL in the relevant issuer's register.

Article 52

CBL may assume that the Customer has full legal capacity to hold or dispose of the assets it keeps with CBL, unless CBL has been notified to the contrary by the Customer, or, by any court, tribunal, government, governmental authority, regulatory or administrative agency, government commission, or by any trustee, liquidator, receiver, conservator, custodian, administrator or similar official appointed with regard to the Customer's assets under any bankruptcy, insolvency, liquidation, reorganisation, investor protection, composition or banking or similar law. The Customer shall immediately notify CBL in writing of any changes in the Customer's legal capacity or in the Customer's rights in respect of securities, precious metals, currency or other assets deposited by the Customer with CBL. The Customer shall be solely and entirely liable for any consequences resulting from the Customer's failure to fulfil this obligation.

Article 53

Unless to the extent specifically waived in whole or in part by CBL, CBL may regard all transactions conducted by a Customer with or through CBL as inter-related. Consequently, CBL may, except to such extent, decline to provide services or perform any obligation if the Customer does not fulfil its obligations under the Governing Documents or any other agreement between CBL and the Customer.

Article 54

The Customer shall provide annual audited financial statements and balance sheets to CBL as soon as possible, and shall promptly provide such additional information relating to the Customer's finances as CBL may reasonably request.

Article 55

Either party may terminate the Customer's use of the services provided by the CBL system upon not less than one month's written notice. The terminating party

shall have no obligation to disclose its reasons for such termination. Notwithstanding the foregoing, CBL reserves the right to terminate or suspend the provision of services to the Customer with immediate effect, and without prior notice, if in CBL's opinion the Customer is in material breach of any obligation incumbent upon it under the Governing Documents or any other agreement between CBL and the Customer.

This also applies if circumstances arise which CBL reasonably believes would materially affect the Customer's ability to fulfil the obligations incumbent upon it under the Governing Documents or any other agreement between CBL and the Customer, including, but not limited to, the occurrence of any of the following events:

i) the commencement by the Customer, or by any other person (including any supervisory or regulatory authority) with respect to the Customer, of a case or other proceeding seeking liquidation, reorganisation or other similar relief with respect to the Customer or its debts under any bankruptcy, composition, receivership, conservatorship, insolvency or other similar law now, or hereafter, in effect or seeking the appointment of a trustee, receiver, conservator, liquidator, custodian, administrator or other similar official of it or any substantial part of its property under any such law;

ii) the authorisation of a measure described in (i) by a corporate governing body of the Customer;

iii) an admission by the Customer of its inability to pay its debts generally as they become due;

iv) the calling by the Customer of a general meeting of its creditors for the purpose of seeking a compromise of its debts;

v) a general assignment by the Customer for the benefit of its creditors;

vi) the attachment or execution upon or against any asset or property of the Customer;

vii) the suspension of operations, the assumption or substitution of management, or any other change in control in the affairs of the Customer resulting from the action of any court, tribunal, government, governmental authority, regulatory or administrative agency or governmental commission; or

viii) any other reason that CBL may determine.

Article 56

Following the termination of the provision of services to the Customer for any reason, the Customer shall only be released from its obligations towards CBL when CBL confirms in writing to the Customer that all the fees, commissions and other charges due to CBL have been paid and all other obligations which CBL requires the Customer to discharge have been discharged.

Upon giving such confirmation, unless to the extent otherwise agreed in writing, CBL shall hold at the disposal of the Customer the securities, precious metals, currencies and other assets standing to the credit of the Customer.

Unless the Customer shall request delivery to itself or a third party during a period of thirty calendar days from such written confirmation by CBL, CBL shall deliver to the Customer the securities, precious metals, currencies and other assets standing to the credit of the Customer's account promptly following expiry of such period.

Any such delivery to the Customer or a third party shall be at the Customer's expense and risk and shall, unless otherwise reasonably instructed by the Customer, be made to the then current mailing address on file at CBL for the Customer.

Article 57

The Customer agrees that CBL's books and records (regardless of the media in, or upon, which such are maintained) shall constitute sufficient evidence of any obligations of the Customer to CBL and of any facts or events relied upon by CBL. CBL shall have no obligation to maintain any record relating to services provided by CBL to the Customer after the expiration of a period of ten years from the time of the generation of such record.

Article 58

Any action, claim or counterclaim by a Customer relating to services provided (or the failure to provide or properly perform services) by CBL to the Customer shall be barred upon the expiration of such period of ten years unless applicable law would bar such an action, claim or counterclaim upon the expiration of a shorter period, in which case such an action, claim or counterclaim shall be barred upon the expiration of such shorter period.

Article 59

Except as may be expressly provided therein, the Governing Documents and any other agreement between CBL and a Customer are solely for the benefit of CBL and the relevant Customer. No other party (including, without limitation, any client, participant or other entity on whose behalf the Customer may be acting) shall have or be entitled to assert any rights, claim or remedies against CBL.

Article 60

If any term or other provision of these General Terms and Conditions is invalid, illegal or incapable of being enforced by any rule of law or public policy, all other conditions and provisions of these General Terms and Conditions shall nevertheless remain in full force and effect so long as the economic or legal substance of the relationship contemplated hereby is not affected in any manner adverse to both the Customer and CBL. Upon such determination that any term or other provision is invalid, illegal or incapable of being enforced, CBL will modify these General Terms and Conditions so as to effect the original intent of both the Customer and CBL as closely as possible, in an acceptable manner to the end that the relationship contemplated hereby is fulfilled to the greatest extent possible.

Article 61

These General Terms and Conditions shall be governed by and construed in accordance with the laws of the Grand Duchy of Luxembourg. Matters not expressly provided for in these General Terms and Conditions shall be governed by the applicable provisions of Luxembourg law. The Customer will submit to the non-exclusive jurisdiction of the competent Luxembourg courts for any litigation which may arise.

Article 62

CBL reserves the right to amend these General Terms and Conditions as well as any other Governing Documents at any time.

For these General Terms and Conditions, CBL shall notify the Customer in writing by mail of any such amendment and of the effective date thereof. Unless the Customer shall inform CBL in writing to the contrary within ten business days following the date of receipt of CBL's notice, the Customer shall be deemed to have accepted such amendments.

For the remaining Governing Documents, CBL shall notify the Customer by electronic means of any such amendments and of the effective date thereof. The amendments will be published through CBL´s internet site. The electronic version of the Governing Documents as published on CBL´s internet site in English shall be at any time the legally binding version of these Governing Documents.

Article 63

Any right or authority granted to, or reserved by, CBL in these General Terms and Conditions shall be exercisable by CBL in its sole discretion.

Article 64

Any communication in writing by CBL shall be deemed to have been received ten business days after it has been mailed to the then current mailing address on file at CBL for the Customer.

Any communication made available by electronic means by CBL shall be deemed to have been received one business day after it has been communicated to the then current contact details on file at CBL for the Customer.

The Customer is responsible for keeping the contact details of his Clearstream website registration current and valid. The Customer may designate a new mailing address or new contact details at any time by providing CBL with written notice thereof.

Any notice to be provided by the Customer to CBL in pursuance of the Governing Documents (including these General Terms and Conditions) shall be made in writing by registered mail, unless otherwise specified therein. Correspondence for CBL should be sent to:

Clearstream Banking, Luxembourg
42 Avenue JF Kennedy
L-1855 Luxembourg

Annex 110

Global Custodial Services Agreement; The Endowment PMF Master Fund, L.P.

Custodian Agreement between the Fund and Citibank N.A.

sec.gov/Archives/edgar/data/1597220/000119312514060680/d667850dex99j.htm

d667850dex99j.htm CUSTODIAN AGREEMENT BETWEEN THE FUND AND CITIBANK N.A.

GLOBAL

CUSTODIAL SERVICES AGREEMENT

THE ENDOWMENT PMF MASTER FUND, L.P.

TABLE OF CONTENTS

Exhibits, Schedules or Annexes:

THIS GLOBAL CUSTODIAL SERVICES AGREEMENT is made as of , 2014, individually, by and among The Endowment PMF Master Fund, L.P., located at 4265 San Felipe, Houston, TX 77027 (the "**Client**"), and Citibank, N.A. acting through its offices in New York (the "**Custodian**

DEFINITIONS AND INTERPRETATION

Definitions.

Agentmeans any sub-custodian, delegate, nominee, and administrative or other service provider selected and used by the Custodian in connection with carrying out its obligations under this Agreement whether or not such person would be deemed an agent under principles of any applicable law.

Agreement" means Global Custodial Services Agreement (including the Annex and any other applicable terms) agreed to by the Client and the Custodian.

Authorised Person" means the Client or a person with authority to act on behalf of the Client, in each case as authenticated in accordance with security procedures as provided in this Agreement.

Cash" means all cash in any currency held for or payable to the Client by the Custodian under the terms of this Agreement.

Cash Account" means each current account established for the Client under this Agreement.

Citi Organization" means Citigroup, Inc. and any company or other entity of which Citigroup, Inc. is directly or indirectly a shareholder or owner. For the purpose of this Agreement, each branch of Citibank, N.A. will be a separate member of the Citi Organization.

Clearance System" means any clearing house, settlement system, payments system, or depository (including any dematerialized book entry system or entity that acts as a system for the central handling of Securities in the country where it is incorporated or organized or that acts as a transnational system for the central handling of Securities), whether or not acting in that capacity, or other financial market utility or organized trading facility used in connection with transactions relating to Securities or Cash and any nominee of the foregoing.

Confidentiality and Data Privacy Conditions" means the confidentiality and data privacy terms specified in the annex attached to this Agreement.

"Custody Account" means each account established under this Agreement for the Client for the receipt, safekeeping and maintenance of Securities or other financial assets as agreed by the Custodian.

Instructions" means any and all instructions from an Authorised Person (including directions, notices and consents) effected through any electronic medium or system or manually as provided in this Agreement.

MIFT" means a manually initiated Instruction to transfer or receive Securities and/or Cash.

Securities" means any financial asset (other than Cash) from time to time held within the control of the Custodian for the Client under the terms of this Agreement, including any security entitlement or similar interest or right; provided, however, each financial asset must be (i) a security dealt in or traded on securities exchanges for which settlement normally occurs in a Clearance System, or (ii) a certificated security in bearer form or registered (or to be registered) in the name of the Custodian or its Agent and transferable by delivery of a certificate with endorsement to a subsequent holder, or (iii) a book-entry security that is publicly offered to investors under the applicable laws (but settled outside a Clearance

System) including, but not limited to an interest in an investment company where the interest is registered in the name of the Custodian or its Agent. Securities do not include other financial assets or physical evidence of such other financial assets including loans, participations, contracts, subscriptions and confirmations, which the Custodian shall accept only on terms as agreed in writing by the Custodian.

Taxes" means all taxes, levies, imposts, charges, assessments, deductions, withholdings and related liabilities, including additions to tax, penalties and interest imposed on or in respect of (i) Securities or Cash (including all payments made by the Custodian to the Client in connection with any Securities or Cash), (ii) the transactions effected under this Agreement (including stamp duties or financial transaction taxes), or (iii) the Client (including its customers); provided "Taxes" does not include income or franchise taxes imposed on or measured by the net income of the Custodian or its Agents.

Interpretation.

References in this Agreement to Exhibits or Annexes mean the Exhibits or Annexes attached h ereto, the terms of which are incorporated into and form part of this Agreement. In the event of any inconsistency between this Agreement and any Exhibit or Annex, the relevant terms of the Exhibit or Annex prevail.

The headings in this Agreement do not affect its interpretation.

A reference to: (i) any party includes (where applicable) its lawful successors, permitted assign s and transferees; (ii) the singular includes the plural and vice versa; and (iii) any statute or reg ulation shall be construed as references to such statute or regulation as in force at the date of t his Agreement and as subsequently re-enacted or revised.

APPOINTMENT OF CUSTODIAN AND ACCEPTANCE

Appointment of the Custodian. The Client hereby selects and appoints the Custodian by plac ing the Client's signature hereunder and the Custodian accepts such appointment to provide se rvices under the terms of this Agreement.

ole Obligation of the Custodian. The Client understands and agrees that (i) the obligations a nd duties of the Custodian will be performed only by the Custodian and are not obligations or d uties of any other member of the Citi Organization, and (ii) the rights of the Client with respect t o the Custodian extend only to such Custodian and, except as provided by law, do not extend t o any other member of the Citi Organization.

REPRESENTATIONS AND WARRANTIES

General. Each party to this Agreement hereby represents and warrants at the date this Agree ment is entered into and any custodial service is used or provided that (i) it has the legal capacit y under its constitutional or organizational documents and authority to enter into and perform it s obligations under this Agreement, (ii) it has obtained and is in compliance with all necessary and appropriate consents, approvals and authorizations for the purposes of its entry into and p erformance of the Agreement, and (iii) its entry into and performance of the Agreement will not violate any applicable law or regulation.

Client The Client represents and warrants at the date this Agreement is entered into and any c ustodial service is used that (i) it has authority to deliver the Securities in the Custody Account and the Cash in the Cash Account, (ii) there is no claim or encumbrance that adversely affects any deposit with any Clearance System or delivery of Securities, or payment of Cash made in accordance with this Agreement, (iii) except as provided in this Agreement, it has not granted a ny person a lien, security interest, charge or similar right or claim against Securities or Cash, a nd (iv) it has not relied on any oral or written representation made by the Custodian or any pers on on its behalf other than those set forth in this Agreement.

Version (Neg THE ENDOWMENT PMF MASTER FUND, L.P., JANUARY 29, 2014)

SET UP OF ACCOUNTS

Accounts The Client instructs the Custodian to establish and maintain a Custody Account and a Cash Account. The Client may give an Instruction to establish additional Custody Accounts or Cash Accounts from time to time. The Custodian shall promptly notify the Client if the Custodia n does not accept any Securities or Cash in a Custody Account or Cash Account.

Cash Account Purpose and Use. The Client agrees that it shall use the Cash Account only fo r deposits and funds transfers in connection with the Securities received, held or delivered for t he Client by the Custodian or otherwise in connection with services provided by the Custodian under this Agreement.

Cash Held as Banker. The Custodian will hold Cash as banker, as a debt due to the Client, an d not as trustee. As a result, Cash will not be held in accordance with client money rules or simi lar rules.

Identification. The Custodian shall on its records identify each Custody Account and Cash Acc ount in the name of the Client or such other name as the Client may reasonably designate.

Securities Segregation.

The Custodian shall identify Securities on its records in a manner so that it is readily apparent t he Securities (i) belong to the Client or its customers, (ii) do not belong to the Custodian or any other clients of the Custodian, and (iii) are segregated on the books and records of the Custodi an from the Custodian's and its other clients' assets. The Custodian intends that Securities will be held in such manner that they should not become available to the insolvency administrator o r creditors of the Custodian.

The Custodian may hold Securities with an Agent only where the Agent has been selected and appointed as a sub custodian. The Custodian shall hold Securities only in an account at the su b-custodian that holds exclusively assets held by the Custodian for its clients (omnibus or separ ated in the names of its clients) and that has been so identified on the books and records of the sub-custodian. The Custodian shall require the sub-custodian to identify on its records in a ma nner so that it is readily apparent that the Securities (i) do not belong to the Custodian and are held by the Custodian for and belong to clients of the Custodian, (ii) do not belong to the sub-c ustodian or other clients of the sub-custodian, and (iii) are segregated on the books and record s of the sub-custodian from the sub-custodian's and its other clients' assets. The Custodian sh all require each sub-custodian to agree that Securities will not be subject to any right, charge, s ecurity interest, lien or claim of any kind in favor of the sub-custodian. Any Securities held with any sub-custodian will be subject only to Instructions of the Custodian.

Custodian shall and shall require any sub-custodian to hold Securities in a Clearance System o nly in an account that holds assets exclusively belonging to its clients and that has been so ide ntified on the books and records of the Clearance System or that is identified at the Clearance System in the name of a nominee of the Custodian or sub-custodian used exclusively to hold S ecurities for clients. In certain markets, the Custodian or its sub-custodian may open an accoun t at a Clearance System in the name of the Client or its customer, as required by the rules of th e Clearance System.

The Custodian shall and shall require any sub-custodian to record book-entry Securities or unc ertificated Securities settled outside a Clearance System on the books and records of the appli cable transfer agent or registrar (or the issuer if none) in a way that identifies that the Securities are being held by the Custodian or its sub-custodian as custodian for clients and are not assets belonging to the Custodian or the sub-custodian, if applicable.

The Custodian shall and shall require any sub-custodian to hold certificated Securities in regist ered or bearer form in its vault segregated from certificates held for itself and/or any other client s. If the registered certificates are not registered in the Custodian's or its sub-custodian's name (or its nominee name) the Custodian will not be responsible for asset services as provided in Cl ause 8 under this Agreement.

Version **(Neg THE ENDOWMENT PMF MASTER FUND, L.P., JANUARY 29, 2014)**

The Custodian may hold Securities in the name of a nominee of the Custodian or its sub-custo dian or a nominee of the Clearance System as may be required by that Clearance System.

The Custodian shall require that any actions with respect to Securities held for the Client under this Agreement in a Clearance System or in the name of the Custodian, a sub-custodian or any nominee on the books and records of any transfer agent or registrar will be subject only to the i nstructions of the Custodian or its sub-custodian, if applicable.

The Custodian will not, and shall require that its sub-custodians do not, lend, pledge, hypotheca te or rehypothecate any Securities without the Client's consent.

SECURITIES AND CASH PROCEDURES

Account Procedures—Credits and Debits.

The Client shall ensure that it has sufficient Securities or sufficient immediately available Cash i n the required currency credited with the Custodian as necessary to effect any Instruction or ot her delivery or payment required under this Agreement.

The Custodian may, but is not obligated to, credit Cash to the Cash Account before a correspo nding and final receipt in cleared funds. The Client acknowledges that the Custodian may at an y time before final receipt, or if a Clearance System at any time reverses an applicable credit to the Custodian, reverse all or any part of a credit of Cash to the Client and make an appropriate entry to its records including restatement of the Cash Account and reversing any interest paid.

The Custodian will credit Securities to the Custody Account upon receipt of the Securities by fin al settlement determined in accordance with the practices of the relevant market. Final settlem ent depends on the market confirmation of settlement to the Custodian and may include real ti me movement with finality, real time movement without finality, or confirmation of settlement but with movement of securities at end of the day. If any Clearance System reverses any credit of Securities (or the Custodian is otherwise obligated to return Securities as a result of a settleme nt reversed in accordance with market requirements), the Client acknowledges that the Custodi an may reverse all or any part of the credit of the Securities to the Custody Account and make an appropriate entry to its records including restatement of the Custody Account. In the event o f any reversal of Securities, the Custodian may reverse any credit of Cash provided to the Clie nt with respect to the Securities, such as distributions or the proceeds of any transaction.

The Custodian shall provide the Client with prompt notice of a reversal of Cash or Securities.

Where notice of a reversal of Cash or Securities has been given and there is insufficient Cash or Securities to satisfy the reversal, the Client shall, as applicable, promptly repay in the applic able currency the amount required to satisfy the deficit in the Cash Account and/or return any S ecurities to the Custody Account.

If the Custodian has received Instructions (or is authorised under this Agreement to make any delivery or payment without an Instruction) that would result in the delivery of a Security or pay ment of Cash in any currency exceeding credits to the Client for that Security or Cash, the Cust odian may in its discretion, subject to acting consistently with the standard of care in this Agree ment, (i) effect any cash payment or other funds transfer and create or increase an extension of credit to the Client including any overdraft, (ii) make partial deliveries or payments consistent wi th market practice, (iii) fulfill subsequently received Instruction to the extent of then available Se curities or Cash held for the Client, or (iv) suspend or delay acting on any Instruction until it rece ives required Securities or Cash . The Custodian shall notify the Client if the Custodian does no t act on any Instruction because the Client has insufficient Securities or Cash.

Notwithstanding any Instruction or termination of this Agreement, at any time the Custodian ma y retain sufficient Securities or Cash to close out or complete any Instruction or transaction that the Custodian will be required to settle on the Client's behalf or to cover any obligation of the Cli ent.

The Client will not enforce any payment obligation of the Custodian at or against another branc h or affiliate of the Custodian. The Custodian is obligated to pay Cash only in the currency in w hich the applicable payment obligation is denominated and only in the country in which such C ash is used in connection with Securities received, held or delivered or other services under thi s Agreement are provided in that country, regardless of whether that currency's transferability, convertibility or availability has been affected by any law, regulation, decree rule or other gover nmental or regulatory action. The Client agrees that it may not require the Custodian or any me mber of the Citi Organization to substitute a currency for any other currency.

Extensions of Credit; Reimbursement.

The Client acknowledges that any extension of credit to the Client under this Agreement will be unadvised, uncommitted and at the sole discretion of the Custodian, and the Client agrees that it shall repay any extension of credit upon demand. The Custodian may charge interest on any overdraft at the rate notified to the Client from time to time. The Custodian may at any time can cel or refuse any extension of credit. No prior action or course of dealing by the Custodian with respect to extending credit to effect any settlement of any transactions or any Instructions will o bligate the Custodian to extend any credit in regard to any subsequent settlement of any transa ction or Instruction.

As used in this Agreement "extension of credit" includes any daylight and overnight overdraft or similar advances, any reimbursement obligation as provided in this Agreement, and uncommitt ed overdraft lines or similar uncommitted lines provided by the Custodian to the Client in conne ction with the Cash Account or services under this Agreement.

At any time the Custodian may demand that the Client reimburse the Custodian in respect of an y irrevocable commitment incurred in carrying out Instructions to clear and/or settle transaction s for the Client under this Agreement (including fail costs payable by the Custodian if the Client were to fail to deliver any required Securities). Irrevocable commitments are incurred on the dat e the Custodian becomes irrevocably obligated to a Clearance System or other person for the delivery of Securities or payment of Cash, even if the Custody Account or the Cash Account ha s insufficient Securities or Cash in the required currency on the applicable settlement date. The Client agrees that its reimbursement obligation arises when the irrevocable commitment is incu rred by the Custodian despite the actual settlement or maturity date. The Client agrees that afte r the Custodian has made a demand for reimbursement by the Client, the Custodian may debit the Client for the amount the Custodian will be obligated to pay in regard to the irrevocable com mitment, whether or not that debit creates or increases any overdraft by the Client.

Foreign Exchange.

The Client agrees that it assumes the risks associated with holding or effecting transactions in Cash denominated in any currency including any events or laws that delay or adversely affect tr ansferability, convertibility or availability of any currency, appropriation or seizure, any devaluati on or redenomination of any currency or fluctuations or changes in foreign exchange rates.

The Client may instruct the Custodian to execute a foreign exchange as part of the services un der this Agreement. Instructions may be given on a case by case basis or as a standing Instruc tion. The Custodian will debit the Client's Cash Account to process foreign exchange and credit the Client's Cash Account with the new currency in accordance with the Instruction(s). The Cus todian may net or set off transactions when effecting foreign exchange. The Custodian may be compensated in part from the spread taken on foreign exchange, and the Custodian or an affili ate may act as principal in any foreign exchange. The Client will be notified of the exchange rat e of all executed foreign exchange in its reporting from the Custodian or, if not included, upon Client's request. The Client acknowledges that the foreign exchange rate applied will depend

on a number of factors, including the size of the transaction, the liquidity in the relevant curren cies, the time of day and other market factors. The Client may not receive published spot rates in the relevant currencies. Unless otherwise provided in applicable law, neither the Custodian nor any applicable affiliate assumes any fiduciary or other duty by virtue of effecting foreign ex change, nor are they acting as trustee.

RIGHTS FOR EXTENSIONS OF CREDIT

Lien. In addition to any other remedies available to the Custodian under applicable law, the Cu stodian will have, and the Client herby grants, a continuing general lien on all Securities until s atisfaction of all liabilities and obligations arising under this Agreement (whether actual or conti ngent) of the Client to the Custodian with respect to any fees and expenses or extensions of cr edit including, but not limited to, daylight and overnight overdrafts, charges resulting from rever sals of credits, reimbursement demands of the Custodian in respect of irrevocable commitment s, and any other present and future obligations of the Client payable to the Custodian.

Set Off. Without limiting any rights the Custodian may have under applicable law, the Custodia n may, without prior notice to the Client, set off any payment obligation with regard to an extens ion of credit or the value of any other payment or delivery obligation owed by the Client to it ag ainst any payment obligations or the value of any delivery obligations owed by the Custodian to the Client, regardless of the place of payment, delivery and/or currency of any obligation (and f or such purposes may make any currency conversion necessary). If any obligation is unliquidat ed or unascertained, the Custodian may set off as provided herein an amount estimated by it i n good faith to be the amount of that obligation.

Exercise of Rights.

If the Client fails to pay the Custodian in respect of any extension of credit, is dissolved or beco mes the subject of formal insolvency proceedings in any jurisdiction, or any step is taken agains t the Client to initiate insolvency proceedings in any jurisdiction, the Custodian may, without noti ce to the Client except as required by law, and at any time: (i) appropriate and apply all or any part of the Securities and Cash held under this Agreement by the Custodian against any or all obligations of the Client under this Agreement to the Custodian (whether matured or subject to any demand); (ii) sell all or any part of the Securities; and (iii) exercise, in respect of the Securit ies and Cash, all the rights and remedies a party with a senior security or similar right would be entitled to exercise in such default under any applicable law.

The Client shall not grant any person a lien, security interest, charge or similar rights or claims against Securities or Cash without the Custodian's consent.

CLIENT'S COMMUNICATIONS

Authority. The Client authorizes the Custodian to accept and act upon any communications, in cluding Instructions and any form or document provided by an Authorised Person. Subject to th e authority or restrictions with respect to any Authorised Person specified in any document rec eived and accepted by the Custodian, the Client confirms that each Authorised Person is autho rised to perform all lawful acts on behalf of the Client in connection with any Custody Account o r Cash Account, Securities or Cash, or otherwise in connection with this Agreement including, but not limited to, (i) opening, closing and operating any Custody Account and Cash Account, (ii) signing any agreements, declarations or other documents relating to any Securities or Cash, Custody Account or Cash Account, or service, and (iii) providing any Instruction, until the Custo dian has received written notice or other notice acceptable to it of any change of an Authorised Person and the Custodian has had a reasonable opportunity under the circumstances to act.

Instructions and Other Client Communications. The Client and the Custodian shall comply with agreed security procedures intended to establish the origination of the communication and the authority of the person sending any communication, including any Instruction. Depending u pon the method of communication used by the Client, the security procedures may constitute o ne or more of the following

measures: unique transaction identifiers, digital signatures, encryption algorithms or other code s, multifactor authentication, user entitlements, schedule validation or such other measures as in use for the communication method by the Client. If the Client sends Instructions or other co mmunications through S.W.I.F.T. or through any other electronic communications method, the Client and the Custodian agree that the security procedures utilized by such electronic commu nications method will be the agreed security procedures for the purpose of this Agreement.

Authentication. Provided the Custodian complies with the applicable security procedures, the Client agrees that the Custodian will be entitled to treat any communication including any Instru ction as having originated from an Authorised Person and the Custodian may rely and act on th at communication as authorised by the Client.

Errors, Duplication. The Client shall be responsible for errors or omissions made by the Client or the duplication of any Instruction by the Client.

Account Numbers. The Custodian may act on any Instruction by reference to an account num ber only, even if an account name is provided.

Incomplete or Insufficient Instructions. The Custodian may act on Instructions where the Cu stodian reasonably believes the Instruction contains sufficient information. The Custodian may decide not to act on an Instruction where it reasonably doubts its contents.

Recall, Amendment, Cancellation. If the Client requests the Custodian to recall, cancel or am end an Instruction, the Custodian shall use its reasonable efforts to comply.

MIFT. The Client expressly acknowledges that it is aware that a MIFT increases the risk of erro r, security, privacy issues and fraudulent activities. If the Custodian acts on a MIFT and compli es with the applicable security procedures, the Client shall be responsible for any costs, losses and other expenses suffered by the Client or the Custodian.

Banking Days. The Custodian shall accept and act on Instructions or any other communication on banking days when the Custodian and the relevant market are open for business. From time to time the Custodian shall notify the Client of the days the Custodian and any applicable mark et will not be open and the cut-off times for accepting and acting on Instructions or other comm unications on the days the Custodian is open.

Notice. The Custodian shall promptly notify the Client (by telephone if appropriate) if an Instruc tion is not acted upon for any reason.

ACTIONS BY THE CUSTODIAN AND ASSET SERVICES

Custodial Duties Requiring Instructions. The Custodian shall carry out the following actions only upon receipt of Instructions: (i) make payment for and/or receive any Securities or deliver or dispose of any Securities except as otherwise specifically provided for in this Agreement, (ii) deal with rights, conversions, options, warrants and other similar interests or any other discretio nary corporate action or discretionary right in connection with Securities, and (iii) except as oth erwise provided in this Agreement, carry out any action affecting Securities or Cash.

Non-Discretionary Custodial Duties. Absent a contrary Instruction, the Client agrees that the Custodian will be authorised to carry out non-discretionary matters in connection with any Instr uction or services provided under this Agreement. Without limiting the authority of the Custodia n with regard to non-discretionary matters, the Custodian may carry out the following: (i) in the Client's name or on its behalf, sign any documents relating to Securities or Cash which may be required (a) pursuant to an Instruction to obtain any Securities or Cash or (b) by any tax or othe r regulatory authority or market practice, (ii) receive and/or credit

income, payments and distributions in respect of Securities; (iii) exchange interim or temporar y receipts for definitive certificates, and old or overstamped certificates for new certificates, (iv) deposit Securities with any Clearance System as required by law, regulation or market practic e, (v) make any payment by debiting any balance credited to the Client as required to effect an y Instructions, payment of Taxes or other payment provided in this Agreement, (vi) to the exte nt any shortage of Securities or Cash occurs in connection with receipt of distributions in regar d to any corporate action, make pro rata distributions, allocations, deliveries or credits of receiv ed Securities or Cash as consistent with market practice and as it deems fair and equitable, a nd (vii) any other matters which the Custodian considers reasonably necessary in furtherance of the services provided under this Agreement.

Notices and Actions Related to Securities.

The Custodian shall promptly notify the Client of all official notices, circulars, reports and annou ncements (both mandatory and discretionary) in respect of Securities held for the Client receiv ed in its capacity as Custodian. With regard to events requiring discretionary action, the Custod ian shall advise the Client of the applicable timeframe for taking any action elected by the Clien t. For the avoidance of doubt the Custodian's notice obligation does not include notices, circula rs, reports and announcements in regard to a class action.

The Custodian will be responsible only for the form, accuracy and content of any notice, circula r, report, announcement or other material prepared by the Custodian or its Agent, including tran slations. The Custodian will not be responsible for errors or omissions in notices or information prepared by other persons, including issuers or Clearance Systems, used by the Custodian to provide any notice to the Client or forwarded by the Custodian to the Client.

The Custodian shall act on discretionary matters in accordance with Instructions sent within ap plicable cut off times. The Client acknowledges that the Custodian will not participate in or take any action concerning any discretionary matter, including shareholder voting, if the Custodian d oes not receive a timely Instruction. Notwithstanding any other provision in this Agreement, the Custodian will be required to provide shareholder voting services only as specified in a separat e proxy services letter agreement between the Custodian and the Client.

The Client acknowledges that in some markets the Custodian or its Agent may be required to v ote all Securities of a particular issue for all of its clients in the same way and may not be able t o effect split voting without regard to any Instruction

Taxes

The Client shall provide the Custodian with information and proof (copies or originals) as to the Client's and/or the underlying beneficial owner's tax status or residence or other information as the Custodian reasonably requests in order for the Custodian or any Agent to achieve complian ce with the requirements of governmental or regulatory authorities. Information and proof may i nclude executed certificates, representations and warranties, or other documentation the Custo dian deems necessary or proper to fulfill the requirements of applicable tax authorities. The Cli ent shall notify the Custodian in writing of any change that affects the Client's tax status pursua nt to any applicable law or regulation, legal, governmental or regulatory authority, or agreement entered into between any two or more governmental authorities (law, regulation and authority, a s used in this sentence, may be domestic or foreign), and the Client shall provide the notice wit hin thirty (30) days of that change or any lesser period as stipulated under any applicable law o r regulation.

Taxes are the responsibility of the Client and the Client agrees that Taxes shall be paid by the Client. The Custodian will deduct or withhold for or on account of Taxes from any payment to th e Client if required by any applicable law including, but not limited to, (i) statute or regulation, (ii) requirements of any legal, governmental or regulatory authority, or (iii) agreement entered into by the Custodian and any governmental authority or between any two or more governmental a uthorities (applicable law as used in this sentence may be domestic or foreign). The Client ack nowledges that the Custodian may debit any

amount available in any balance held for the Client and apply such Cash in satisfaction of Tax es. The Custodian will timely pay the full amount debited or withheld to the relevant governme ntal authority in accordance with the applicable law as provided in this Clause. If any Taxes be come payable with respect to any prior credit to the Client by the Custodian, the Client acknow ledges that the Custodian may debit any balance held for the Client in satisfaction of such prior Taxes. The Client shall remain liable for any deficiency and agrees that it shall pay it upon noti ce from the Custodian or any governmental authority. If Taxes are paid by the Custodian or an y of its affiliates, the Client agrees that it shall promptly reimburse the Custodian for such pay ment to the extent not covered by withholding from any payment or debited from any balance held for the Client.

In the event the Client requests that the Custodian provide tax relief services and the Custodia n agrees to provide such services, the Custodian will apply for appropriate tax relief (either by way of reduced tax rates at the time of an income payment or retrospective tax reclaims in cert ain markets as agreed from time to time); provided, the Client provides to the Custodian such d ocumentation and information relating to it or its underlying beneficial owner customers as is ne cessary to secure such tax relief. However, in no event will the Custodian be responsible or liab le for any Taxes resulting from the inability to secure tax relief, or for the failure of any Client or beneficial owner to obtain the benefit of credits, on the basis of foreign taxes withheld, against any income tax liability.

CUSTODIAN'S COMMUNICATIONS, RECORDS AND ACCESS

Communications and Statements. The Client agrees that communications, notices and anno uncements by the Custodian and statements or advices with regard to Securities or Cash may be made available by electronic form only. The Client shall notify the Custodian promptly in writ ing of any errors in a statement or advice and in any case within sixty (60) days from the date o n which the statement or advice is sent or made available to the Client. Nothing herein is intend ed to prevent the Client from notifying the Custodian of any errors or corrections beyond such ti me; provided, however, that the Custodian will not be responsible for any additional losses caus ed by such delay in notification.

Price Information. The Custodian may, from time to time, provide information on statements o r reports showing pricing or values of Securities held for the Client. The Client acknowledges th at the Custodian will not be responsible under this Agreement for the pricing or valuation of any Securities. The Client agrees that the Custodian has no responsibility to independently verify s uch prices or similar data, and the Custodian has no liability for the availability or accuracy of an y price or similar data obtained from any pricing source.

Access to Records. The Custodian shall allow the Client and its independent public accounta nts, agents or regulators reasonable access to the records of the Custodian relating to Securiti es or Cash, the Custody Account or the Cash Account, and the controls utilized by the Custodia n in connection with the performance of this Agreement as is reasonably required by the Client and at the Client's expense and shall seek to obtain such access from each Agent and Clearan ce System.

THIRD PARTIES

Agents. The Client agrees that the Custodian is hereby authorised to appoint Agents in conne ction with the Custodian's performance of any services under this Agreement. The Custodian s hall not appoint a sub-custodian without prior notice to the Client. The Custodian shall exercise due skill, care and diligence in the selection, continued appointment and ongoing monitoring of Agents.

Other Third Parties. The Client agrees that the Custodian is hereby authorised to participate i n or use (i) Clearance Systems and (ii) public utilities, external telecommunications facilities an d other common carriers of electronic and other messages, external postal services, and other facilities commonly recognized as market infrastructures in any jurisdiction. Further, in providin g services under this Agreement the Custodian

will interact with other third parties whom the Custodian does not select and over which the Cu stodian exercises no discretion or control, including issuers of Securities, transfer agents or re gistrars, and the Client's counterparties or brokers (or their agents). The Client acknowledges t hat Clearance Systems and such other third parties as described herein are not Agents, and t he Custodian has no responsibility for (i) selecting, appointing or monitoring such third parties or (ii) the performance or credit risks of the third parties.

PERFORMANCE OBLIGATIONS AND LIABILITIES

Responsibility of the Custodian. The Custodian shall perform its obligations with due skill, ca re and diligence as determined in accordance with the standards and practices of a profession al custodian for hire in the markets or jurisdictions in which the Custodian performs services un der this Agreement and maintains Securities and Cash for the Client. The Custodian shall be li able for payment to the Client for its direct damages only where the Custodian or any Agent ha s not satisfied such obligation of due skill, care and diligence.

Liability of the Client to the Custodian. The Client agrees to (i) indemnify the Custodian for a ll losses, costs, damages, Taxes and expenses (including reasonable legal fees and disbursem ents) (each referred to as a "Loss") incurred by the Custodian arising in connection with the Cli ent's failure to perform any obligation of the Client under this Agreement or arising from or in c onnection with the Custodian's appointment or performance under this Agreement and (ii) defe nd and hold the Custodian harmless from or in connection with any Loss imposed on, incurred by, or asserted against the Custodian (directly or through any of its Agents) or otherwise arising in connection with or arising out of any claim, action or proceeding by any third party except an y Loss resulting from the Custodian's or any Agent's failure to satisfy its obligation of due skill, care and diligence as provided in this Agreement.

Mitigation of Damages. Upon the actual knowledge by any party of the occurrence of any eve nt which may cause any loss, damage or expense to the party, the party shall as soon as reaso nably practicable (i) notify the other party of the occurrence of such event and (ii) use its comm ercially reasonable efforts to take reasonable steps under the circumstances to mitigate or redu ce the effects of such event and to avoid continuing harm to it.

Mutual Exclusion of Damages. **Each party shall be liable to the other party only for direc t damages for any liability arising under this Agreement. Under no circumstances shall any party be liable to any other party for special or punitive damages, or indirect, incide ntal, consequential loss or damage, or any loss of profits, goodwill, business opportunit y, business revenue or anticipated savings in relation to this Agreement, whether arisin g out of breach of contract, tort (including negligence) or otherwise, regardless of wheth er the relevant loss was foreseeable or the party has been advised of the possibility of s uch loss or damage, or that such loss was in contemplation of the other party.**

Legal Limitations on the Custodian's Performance.

Performance Subject to Laws. The Client understands and agrees that the Custodian's perfor mance of this Agreement, including acting on any Instruction, is subject to the laws (including, without limitation, governmental and regulatory actions, orders, decrees and regulations) applic able to the Custodian as a result of the jurisdiction in which the Custodian or its parent is organ ized or the Custodian is located or performs this Agreement, including with respect to the holdi ng of any Securities or Cash, and the rules, operating procedures and practices of any relevant Clearance System, stock exchange, or market.

Country Risk. The Client agrees that it shall bear all risks and expenses associated with investi ng in Securities or holding Cash denominated in any currency. The Client acknowledges that th e Custodian will not be liable for country specific risks of loss or value or other restrictions resul ting from country risk, including the risk of investing and holding Securities and Cash in a partic ular country or market such as, but not limited to, risks arising from (i) any act of war, terrorism, riot or civil commotion, (ii) investment, repatriation or exchange

control restriction or nationalization, expropriation or other actions by any governmental author ity, (iii) devaluation or revaluation of any currency, (iv) changes in applicable law, and (v) a cou ntry's financial infrastructure and practices including market rules and conditions.

Conformity with Market Practices Notwithstanding the Client's Instruction to deliver Securities a gainst payment or to pay for Securities against delivery, the Client authorizes the Custodian to make or accept payment for or delivery of Securities at such time and in such form and manner as complies with relevant local law and practice or with the customs prevailing in the relevant market.

Prevention of Performance The Client agrees that the Custodian will not be responsible for any failure to perform any of its obligations (nor will it be responsible for any unavailability of Cash i n the applicable currency credited to the Client) if such performance by the Custodian or any A gent of the Custodian is prevented, hindered or delayed by a Force Majeure Event. "Force Maj eure Event" means any event attributable to a cause beyond the reasonable control of the Cust odian or its Agent such as restrictions on convertibility or transferability, requisitions, involuntar y transfers, unavailability of any Clearance System, sabotage, fire, flood, explosion, acts of Go d, civil commotion, strikes or industrial action of any kind, riots, insurrection, war or acts of gove rnment or similar institutions, as well as any other matter specified as a country risk in this Agr eement. On the occurrence of any Force Majeure Event, the obligations of the Custodian will b e suspended for so long as the Force Majeure Event continues. Upon the occurrence of any Fo rce Majeure Event, the Custodian shall inform the Client and shall use its reasonable efforts to minimize the effect of the Force Majeure Event on the Client. For the avoidance of doubt, the C ustodian confirms that it and each Agent maintains and regularly tests disaster recovery plans and contingency back-up services.

Client's Reporting Obligations. The Client agrees that it shall be solely responsible for all filings , tax returns and reports relating to Securities or Cash as may be required by any relevant auth ority, whether governmental or otherwise. The Client will be responsible for compliance with all applicable limitations or qualifications in regard to the Client's investment in any Securities in a ny country or jurisdiction.

Capacity of Custodian. The Client acknowledges that the Custodian is not acting under this Agr eement as an investment manager, broker, or investment, legal or tax adviser to the Client. Th e Custodian's duty is solely to act as a custodian in accordance with the terms of this Agreeme nt, and the Custodian will take no view on the efficacy or soundness of any investment decision made by the Client.

NOT AGENT FOR CLIENT'S CUSTOMERS; CLIENT'S DIRECT LIABILITY

The Client agrees that it will not be relieved of its obligations as principal as the Client under this Agreement where (or if) the Client discloses that it has entered into this Agreement as agent, custodian or other representative of another person. Notwithstanding any requirement that accounts, documentation or agreements, or transactions be effected in the name of any customer of the Client or for any other beneficial owner acting directly or indirectly though the Client, the Client agrees that it shall be responsible as principal for all obligations to the Custodian with regard to such beneficial owner accounts, agreements, or transactions. The Client agrees that its customers will not have any direct rights against the Custodian, and the Custodian shall have no liability to the Client's underlying customers.

CONFLICTS OF INTERESTS

Compliance with Requirements. The Client acknowledges that the Custodian has arrangeme nts in place to manage conflicts of interest (the "Conflicts Policy"). If the Custodian deems that t he arrangements are not sufficient to reasonably prevent risks of damage to the Client, the Cus todian shall clearly disclose the general nature and/or the sources of the conflict of interest to t he Client before undertaking the relevant business with or for the Client.

Version **(Neg THE ENDOWMENT PMF MASTER FUND, L.P., JANUARY 29, 2014)**

Information. The Client acknowledges that members of the Citi Organization including Citiban k, N.A. may separately provide services, including advisory, credit, and other financial services, to the Client or to other persons other than as custodian under this Agreement. In connection with those services the Custodian or its Agent may be prohibited by applicable law or by its Co nflicts Policy or other policies from disclosing information of which it becomes aware or from ac cessing any information in relation to those services. As a result, the Client agrees that neither the Custodian nor any member of the Citi Organization is required or expected to disclose to th e Client any non-public information it obtains in the course of providing services other than as Custodian. . Also, the Client acknowledges that except as provided in this Agreement, the Cust odian has no obligation to disclosure to the Client any public or non confidential information it o btains from any source about which relates to any issuer, counterparty or other person, regardl ess of whether such information relates to any Security held or to be received for the Client.

Services to Client or the Custodian. The Custodian may share any fees, profits and non-mon etary benefits with any member of the Citi Organization or other third parties (including a perso n acting on their behalf) or receive fees, profits and non-monetary benefits from them in respect of the services provided pursuant to this Agreement. The Custodian shall provide details of the nature and amount of any such fees, profits or non-monetary benefits on the Client's written req uest.

INFORMATION AND DATA PROTECTION

Responsibilities of each party relating to the privacy and confidentiality of information are set f orth in the Confidentiality and Data Privacy Conditions specified in that Annex to this Agreeme nt attached hereto, and the parties agree to the terms specified in that Annex.

ADVERTISING

Neither the Client nor the Custodian will display the name, trade mark or service mark of the ot her without the prior written approval of the other, nor will the Client display that of any membe r of the Citi Organization without prior written approval from the Custodian. The Client agrees t hat it shall not advertise or promote any service provided by the Custodian without the Custodi an's prior written consent; provided, however the Client may identify the Custodian as its custo dian in any regulatory or other legally required or permitted disclosure by the Client without first obtaining the Custodian's consent.

FEES AND EXPENSES

The Client agrees to pay all fees, charges and obligations incurred from time to time for any se rvices pursuant to this Agreement as determined in accordance with the terms of the fee agre ement separately provided to the Client, together with any other amounts payable to the Custo dian under this Agreement. The Client agrees that the Custodian may debit the Cash Account to pay any such fees, charges and obligations. The Client agrees that all fees and amounts pai d to the Custodian shall be payable without deduction for Taxes, which are the responsibility o f the Client.

TERMINATION

Termination; Closing an Account.

The Client or the Custodian may terminate this Agreement as between itself and the other part y hereto by giving not less than sixty (60) days' prior written notice to such other party.

Unless otherwise agreed in writing, the Custodian may close an inactive Securities Account or Cash Account upon thirty (30) days' prior written notice (but subject to any legal requirement as to a different notice period). The Custodian may close any Securities Account or Cash Account upon notice to the Client as the Custodian reasonably considers necessary for the Custodian o r any other member of the Citi Organization to comply with applicable law in regard to Taxes or other requirements including, but not limited to, (i)

statute or regulation, (ii) legal, governmental or regulatory authority, or (iii) agreement entered i nto by the Custodian and any governmental authority or between any two or more government al authorities (applicable law as used in this sentence may be domestic or foreign) as provided in this Agreement.

Effect on Securities and Cash. If by the termination date the Client has not given Instructions to deliver any Securities or Cash, the Custodian shall continue to safekeep such Securities and /or Cash until the Client provides Instructions to effect a free delivery of such. However, the Cu stodian will provide no other services as regard to any such Securities except to collect and hol d any cash distributions. The Client shall be liable for standard fees for Securities or Cash retai ned in safekeeping after termination of this Agreement.

Surviving Terms. The parties agree that the rights and obligations contained in Clauses 5.1.2, 5.1.3, 5.1.8, 5.2, 6, 8.4, 11, 12, 14, 15, and 18 of Agreement shall survive the termination of this Agreement.

GOVERNING LAW AND JURISDICTION

Governing Law. The Client and the Custodian agree that this Agreement and any non-contrac tual obligations arising out of or in connection with it shall be governed, construed, regulated an d administered under the laws of the country in which the Custodian is located and performs its obligations hereunder, without regard to any principles regarding conflict of laws. The Client an d the Custodian agree that the location of the Custodian specified in this Agreement is the sole location of the Custodian for performance of any obligation under this Agreement including the l ocation of the Custody Account and Cash Account (unless otherwise specified by the Custodia n). For the avoidance of doubt, the choice of governing law includes the application of securitie s transfer legislation or other law in regard to the rights of parties and third persons in Securitie s and Cash.

Jurisdiction. The Client and the Custodian agree that the courts of the country in which the Cu stodian is located and performs its obligations hereunder (including any appropriate sub-jurisdi ction) will have non-exclusive jurisdiction to hear any disputes arising out of or in connection wit h this Agreement, and the Client irrevocably submits to the jurisdiction of such courts.

Venue. Each party hereby waives any objection it may have at any time, to the laying of venue of any actions or proceedings brought in any court of jurisdiction as provided in this Agreement, waives any claim that such actions or proceedings have been brought in an inconvenient forum and further waives the right to object that such court does not have jurisdiction.

Sovereign Immunity. The Client and the Custodian each irrevocably waives, with respect to it self and its revenues and assets, all immunity on the grounds of sovereignty or similar grounds i n respect of its obligations under this Agreement.

No Third Party Rights. None of the provisions of this Agreement are intended to, or will, confe r a benefit on or be enforceable by any third parties including customers of the Client.

MISCELLANEOUS

Severability. If any provision of this Agreement is or becomes illegal, invalid or unenforceable under any applicable law, the parties intend that the remaining provisions will remain in full forc e and effect (as will that provision under any other law).

Waiver of Rights. No failure or delay of the Client or the Custodian in exercising any right or re medy under this Agreement constitutes a waiver of that right. Any waiver of any right is limited t o the specific instance. The exclusion or omission of any provision or term of this Agreement s hall not constitue a waiver of any right or remedy the Client or the Custodian may have under a pplicable law.

Version **(Neg THE ENDOWMENT PMF MASTER FUND, L.P., JANUARY 29, 2014)**

Recordings. The Client and the Custodian consent to telephonic or electronic monitoring or re cordings of any communications for security and quality of service purposes and agree that eith er may produce telephonic or electronic recordings or computer records as evidence in any pro ceedings brought in connection with this Agreement.

Written Notice. Unless otherwise provided, when “written”, “writing” and words of similar mean ing are used in this Agreement, they refer to both paper and electronic forms such as emails, f axes, digital images and copies, and similar electronic versions. A written notice shall be effecti ve if delivered to the Client’s principal business address specified in writing to the Custodian or to the Custodian’s address specified in writing to the Client (or any other address it may provid e by written notice for this purpose). Any method used to communicate Instructions may be use d to give any notice. Notices will be in English unless otherwise agreed. For the avoidance of d oubt, a written notice does not include an Instruction or other communication as specified in thi s Agreement.

Further Information. The Client agrees to provide to the Custodian all documents and other in formation reasonably requested by the Custodian in relation to its performance of services und er this Agreement and its duties and obligations under this Agreement.

Entire Agreement; Amendments. The parties agree that this Agreement consists exclusively of this document together with any specified annex or identified schedules. The Client agrees t hat the Custodian is responsible for the performance of only those duties set forth in this Agree ment, including the performance of any Instruction. The Client acknowledges that the Custodia n will have no implied duties or obligations except as cannot be excluded by applicable law. Ex cept as specified in this Agreement, this Agreement may only be modified by written agreemen t of the Client and the Custodian.

Assignment. The parties agree that no party may assign or transfer any of its rights or obligati ons under this Agreement without the other’s prior written consent, which consent will not be un reasonably withheld or delayed; provided that the Custodian may make such assignment or tra nsfer to a branch, subsidiary or affiliate if it does not materially affect the provision of services t o the Client.

Counterparts. This Agreement may be executed in several counterparts, each of which will be an original, but all of which together constitutes one and the same agreement.

IN WITNESS WHEREOF, the parties hereto have caused this Agreement to be executed by their respective officers thereunto duly authorised.

CITIBANK, N.A.	**THE ENDOWMENT PMF MASTER FUND, L.P.**

By:	By:
Name:	Name:
Title:	Title:

Version **(Neg THE ENDOWMENT PMF MASTER FUND, L.P., JANUARY 29, 2014)**

Annex 111

Ministry of Economy of Belgium website, "Banque-Carrefour des entreprises et Registre du Commerce – Public Search"

Public Search

Mot de recherche phonétique: IRISL Benelux(dénominations précédentes non comprises)
Forme légale: Toutes les formes légales
Entités enregistrées (Personnes physiques et personnes morales) et unités d'établissement

3 entités ou unités d'établissement trouvées.

	ENT/UE Statut	Numéro d'entreprise	Info unités d'établissement	Dénomination	Adresse
1	ENT PM Identifié	0840.155.602 1 août 2011	-	Cambridge Weight Plan Benelux BV	Sillicumweg 8 3812 SX Amersfoort
2	ENT PM Actif	0438.579.164 12 octobre 1989 Société radiée	1 Unité d'établissement	FORA BENELUX	Burg. Lionel Pussemierstraat 176 9900 Eeklo
3	UE Actif	0480.224.531	2.133.243.695 13 mai 2003	IRISL BENELUX	Noorderlaan 139 2030 Antwerpen

3 entités ou unités d'établissement trouvées.

Vers le haut de la page Retour

Données de l'unité d'établissement

Généralités

Numéro d'entreprise:	0480.224.531
Statut de l'entité:	Arrêté
Numéro de l'unité d'établissement:	2.133.243.695
Statut de l'unité d'établissement:	Actif
Date de début:	13 mai 2003
Dénomination de l'unité d'établissement:	IRISL BENELUX Dénomination en néerlandais, depuis le 13 mai 2003
Adresse de l'unité d'établissement::	Noorderlaan 139 2030 Antwerpen Depuis le 13 mai 2003
Numéro de téléphone:	Pas de données reprises dans la BCE.
Numéro de fax:	Pas de données reprises dans la BCE.
E-mail:	Pas de données reprises dans la BCE.
Adresse web:	Pas de données reprises dans la BCE.

Autorisations

Autorisations inscrites à l'Agence Fédérale pour la Sécurité de la Chaîne Alimentaire (AFSCA)? Cliquez ici

Activités Code Nacebel version 2008(1)

Activité secondaire: 52.100 - Entreposage et stockage, y compris frigorifique
Depuis le 1 janvier 2008

Activité secondaire: 52.249 - Manutention autre que portuaire
Depuis le 1 janvier 2008

Activité secondaire: 52.290 - Autres services auxiliaires des transports
Depuis le 1 janvier 2008

Activité secondaire: 52.29011 - Affrètement maritime
Depuis le 1 janvier 2008

Activité secondaire: 52.29012 - Affrètement qui consiste à confier des envois sans groupage préalable à des transporteurs publics (transport ferroviaire, transport par eau, transport aérien ou une combinaison de ces moyens)
Depuis le 1 janvier 2008

Activité secondaire: 52.29031 - Activités des commissionnaires de transport qui concluent pour compte propre des contrats de transport de marchandises mais font effectuer le transport par des tiers
Depuis le 1 janvier 2008

Activité secondaire: 52.29032 - Activités des courtiers de transport
Depuis le 1 janvier 2008

Activité secondaire: 52.29033 - Activités des commissionnaires-expéditeurs, etc.
Depuis le 1 janvier 2008

Activité secondaire: 52.29041 - Messageries: l'enlèvement de marchandises et le groupage d'envois individuels pour l'expédition, la distribution et la livraison des marchandises à l'arrivée
Depuis le 1 janvier 2008

Activité secondaire: 52.29042 - Livraison de fret express
Depuis le 1 janvier 2008

Activité secondaire: 52.29043 - Autres activités annexes de l'organisation du transport de fret
Depuis le 1 janvier 2008

Montrez les activités Code Nacebel version 2003.

Pas de données reprises dans la BCE.

(1)Le 1/1/2008, la classification CE des codes Nacebel a été modifiée. Public search affiche tant les activités existantes d'après l'ancien code Nacebel 2003, valable jusqu'au 31/12/2007, que le nouveau code (et définition) 2008, valable depuis le 1/1/2008. Il s'agit donc d'une conversion purement administrative, et non d'un changement d'activités de l'entité ou de l'unité d'établissement.

Annex 112

J. B. Moore, *History and digest of the international arbitrations to which the United States has been a party*, Washington, Gov't Print Off., Vol. II

Excerpts: cover page & pp. 1807-1853

HISTORY AND DIGEST

OF THE

INTERNATIONAL ARBITRATIONS TO WHICH THE UNITED STATES HAS BEEN A PARTY,

TOGETHER WITH

APPENDICES CONTAINING THE TREATIES RELATING TO SUCH ARBITRATIONS, AND HISTORICAL AND LEGAL NOTES ON OTHER INTERNATIONAL ARBITRATIONS ANCIENT AND MODERN, AND ON THE DOMESTIC COMMISSIONS OF THE UNITED STATES FOR THE ADJUSTMENT OF INTERNATIONAL CLAIMS.

BY

JOHN BASSETT MOORE,

Hamilton Fish Professor of International Law and Diplomacy, Columbia University, New York; Associate of the Institute of International Law; sometime Assistant Secretary of State of the United States; author of a work on Extradition and Interstate Rendition, of American Notes on the Conflict of Laws, etc.

IN SIX VOLUMES.

VOLUME II.

WASHINGTON:

GOVERNMENT PRINTING OFFICE.

1898.

CHAPTER XLIII.

THE CASE OF CHARLES ADRIAN VAN BOKKELEN: PROTOCOL BETWEEN THE UNITED STATES AND HAYTI OF MAY 24, 1888:

Origin of the Case.

On April 21, 1884, Mr. Frelinghuysen, Secretary of State, inclosed to Mr. Langston, then minister of the United States to Hayti, a letter dated at Port au Prince, March 19, 1884, from C. A. Van Bokkelen, a citizen of the United States, who represented that he had been in jail since the 6th of March in consequence of his inability to meet some of his obligations. He inquired as to his rights under the treaties between the United States and Hayti, saying that he had duly filed with the civil court of Port au Prince an assignment of his assets for the benefit of his creditors, and that the real cause of his misfortunes was the failure of the Haytian Government to pay its bonds, which he held to an amount far exceeding his debts. Mr. Frelinghuysen instructed Mr. Langston to make a detailed report of the case.[1] In obedience to this instruction Mr. Langston reported that the cause of Mr. Van Bokkelen's arrest and imprisonment was a judgment for $3,000 rendered against him in favor of a firm in New York; that the suit in which the judgment was rendered was begun in the court of commerce, and was finally passed upon by the court of cassation; that, although the judgment was set aside for irregularity, Van Bokkelen was still kept in jail on the claims of other creditors; that after the judgment of $3,000 was entered against him he sought to make an assignment of all his property for the benefit of his creditors and thus secure his release, as might be done by Haytian debtors; that by the Haytian code

[1] For. Rel. 1884, p. 306.

foreigners were excluded from the benefit of this process, but that Van Bokkelen had claimed it on the strength of Articles VI. and IX. of the treaty between the United States and Hayti of November 3, 1864; that the civil tribunal of Port au Prince had decided against him, but that an appeal had been taken to the court of cassation; that this appeal was still pending and that Van Bokkelen had in the meanwhile, owing to the state of his health, been permitted to occupy quarters in the military hospital at Port au Prince.[1]

The Department of State decided before taking further action to await the result of Van Bokkelen's appeal.[2] Subsequently, however, Mr. Langston was instructed, owing to the prisoner's ill health, to take every proper step to obtain his immediate release.[3] The Haytian Government refused to grant it, and on March 4, 1885, Mr. Langston transmitted to the Department of State a copy of the decision of the court of cassation, rendered on the 26th of February, in which it was held that the right to make a judicial assignment was a civil right belonging only to Haytians, and that the sixth and ninth articles of the treaty of November 3, 1864, did not confer the privilege on citizens of the United States residing in Hayti or upon Haytians residing in the United States.[4] The following is a translation of the decree of the court:

"Whereas the judicial assignment of property is an institution of civil right, the articles 769 (794) of the code of civil procedure and 569 of the code of commerce, excepting foreigners from the benefit of this institution, since they do not exercise in Hayti all rights, they can only enjoy privileges derived from natural rights or [rights] of mankind, and not those which are derived from purely civil law.

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[1] Mr. Langston to Mr. Frelinghuysen, July 7, 1884, For. Rel. 1884, p. 307.

[2] Mr. Davis, Acting Sec. of State, to Mr. Langston, August 15, 1884, For. Rel. 1884, p. 320.

[3] Mr. Frelinghuysen to Mr. Langston, October 1, 1884, For. Rel. 1884, p. 329; Mr. Davis, Acting Sec. of State, to Mr. Langston, November 19, 1884, Id. 335; Mr. Langston to Mr. Frelinghuysen, December 4, 1884, For. Rel. 1885, p. 477; Mr. Frelinghuysen to Mr. Langston, December 9, 1884, Id. 478; Mr. Frelinghuysen to Mr. Langston, January 2, 1885, Id. 481; Mr. Langston to Mr. Frelinghuysen, January 14, 1885, Id. 482; Mr. Langston to Mr. Frelinghuysen, January 21, 1885, Id. 490; Mr. Langston to Mr. Frelinghuysen, January 24, 1885, Id. 492; Mr. Frelinghuysen to Mr. Langston, February 2, 1885, Id. 492.

[4] Mr. Langston to Mr. Frelinghuysen, March 4, 1885, For. Rel. 1885, p. 498.

"Whereas nowhere in the treaty of friendship, of commerce, of navigation, and of the extradition of fugitive criminals, concluded November 3, 1864, between the United States of America and the republic of Hayti, is it to be found that it confers upon the citizens of these two countries the right to exercise the judicial assignment of property, there can be deduced from the terms of articles 6 and 9 of the treaty nothing which would authorize the opinion that this right could be invoked in the United States by a Haytian, or in Hayti by an American. In consequence thereof, Americans can not enjoy in Hayti such civil right, the enjoyment of which is attached exclusively to the quality of a Haytian. That in stipulating that 'the citizens of the contracting parties should have free access to the courts of justice, in all cases wherein they may be interested on the same conditions that the laws and usages of the country give to their citizens, furnishing security required in the case,' this provision of article 6 was not intended to grant to the citizens of these two nations the enjoyment of civil rights which do not attach (except) to citizens.

"Therefore it follows from that which precedes that the judgment denounced has made a good and just application of article 769 (794) of the code of civil procedure and 569 of the code of commerce, and a sound interpretation of the articles 6 and 9 of the treaty above cited.

"For such reasons, and without there being any necessity of passing on the result of nonacceptance raised by the parties, the court rejects the appeal made by Mr. Charles Adrian Van Bokkelen against the judgment rendered May 27, 1884, by the civil court of Port au Prince, orders, in consequence, the confiscation of the fine deposited, and condemns the said Mr. Van Bokkelen to pay the expenses, liquidated at the sum of ———, not including the cost of the present decrees.

"Given and pronounced by us, B. Lallemand, president; J. Martineau, E. Valles, M. Fremont, and F. Nazon, judges, at the palace of justice of the court of appeals, in public session, on the 26th of February 1885.

"Signed as follows on the minutes: B. Lallemand, E. Valles, M. Fremont, J. Martineau, F. Nazon, and P. Lerebours.

"A true copy.

"P. LESPES, *Lawyer.*"

Request for Release.

On the 28th of March 1885 the Department of State, with the text of this decision before it, asked for Mr. Van Bokkelen's release.[1] The Department of State took the ground that the decision of the court of cassation was not only irreconcilable with accepted principles of international law, but that it could not be regarded

[1] Mr. Bayard, Sec. of State, to Mr. Langston, March 28, 1885, For. Rel. 1885, p. 507.

as defining the duties of Hayti as a sovereign state. The liabilities of Hayti to the United States were, said the Department of State, determined by the principals of international law as well as by the treaty stipulations which formed the supreme law of the land, both in Hayti and in the United States. The provisions of Articles VI. and IX. of the treaty of 1864 are as follows:

"ART. VI. The citizens of each of the contracting parties shall be permitted to enter, sojourn, settle, and reside in all parts of the territories of the other, engage in business, hire and occupy warehouses, provided they submit to the laws, as well general as special, relative to the rights of traveling, residing, or trading. While they conform to the laws and regulations in force, they shall be at liberty to manage, themselves, their own business, subject to the jurisdiction of either party, respectively, as well as (*sic*) in respect to the consignment and sale of their goods as with respect to the loading, unloading, and sending off their vessels. They may also employ such agents or brokers as they may deem proper, it being distinctly understood that they are subject also to the same laws.

"The citizens of the contracting parties shall have free access to the tribunals of justice, in all cases to which they may be a party, on the same terms which are granted by the laws and usage of the country to native citizens, furnishing security in the cases required, for which purpose they may employ in the defense of their interests and rights such advocates, solicitors, attorneys, and other agents as they may think proper, agreeably to the laws and usage of the country.

"ART. IX. The citizens of each of the high contracting parties, within the jurisdiction of the other, shall have power to dispose of their personal property by sale, donation, testament, or otherwise; and their personal representatives, being citizens of the other contracting party, shall succeed to their personal property, whether by testament, or *ab intestato*.

"They may take possession thereof, either by themselves or by others acting for them, at their pleasure, and dispose of the same, paying such duty only as the citizens of the country wherein the said personal property is situated shall be subject to pay in like cases. In the absence of a personal representative, the same care shall be taken of the property as by law would be taken of the property of a native in a similar case, while the lawful owner may take measures for securing it.

"If a question as to the rightful ownership of the property should arise among claimants, the same shall be determined by the judicial tribunals of the country in which it is situated."

The Department of State maintained that under the second paragraph of Article VI. Van Bokkelen was entitled to the same rights in the tribunals of justice of Hayti as citizens of that country; that under the right secured by Article IX. to

the citizens of the contracting parties "to dispose of their personal property by sale, donation, testament, or otherwise," he was entitled to dispose of his goods by means of a general assignment for the benefit of his creditors; and that as, by the law of Hayti, the right to be released after an assignment for the benefit of creditors was an incident of the imprisonment for debt of a Haytian debtor, so, under the treaty, it was an incident of the imprisonment for debt of an American debtor. There was, said the Department of State, no jurisdiction in the United States in which a Haytian would not be permitted to make an assignment of his entire estate on the same basis as a citizen of the United States, or in which he would not be entitled to a discharge on such an assignment on the same footing as a citizen of the United States. In conclusion, Van Bokkelen's release was asked for on the following grounds:

1. That continuous imprisonment for debt, where no criminal offense was imputed, was contrary to the generally recognized principles of international law.

2. That the imprisonment of Van Bokkelen contravened Articles VI. and IX. of the treaty of 1864.[1]

Haytian Response.

Mr. Langston communicated a copy of his instruction to Mr. Prophète, the Haytian minister of foreign affairs, April 17, 1885.[2] On the 29th of the same month Mr. Prophète replied that the Department of State, in examining the judgment of the court of cassation, seemed to have omitted the real reason of the decision. The decision of the court did not, said Mr. Prophète, rest on the denial of the right to make a judicial assignment to Haytians in the United States, but on the fact that the benefit of the insolvent act was a provision of the Haytian civil law, from which foreigners were excluded. As to the provisions of the treaty, Mr. Prophète argued that nations were never to be presumed to intend to injure their rights, and that the judges ought not to prefer an interpretation which would abrogate the common law. Moreover, it would require an express stipulation of the treaty to abrogate the formal text of the law. The courts of Hayti had acted within the limits

[1] In the course of its instructions the Department of State took the ground that "furnishing security in the cases required" meant security for costs, and that in Van Bokkelen's case there was no pretense that he was obliged to furnish security in any case in which the term could be properly used.

[2] For. Rel. 1885, p. 514.

of their authority in interpreting the treaty of 1865. The executive authority would transcend its powers and expose itself to the demands of the private creditors if it were to release Mr. Van Bokkelen.[1]

On May 28, 1885, Mr. Langston reported that at 5 o'clock on the afternoon of the preceding day Van Bokkelen was conducted to the legation by an attorney of the government and set at liberty. No explanation of the act was given, but it was said that President Salomon would explain it.[2] Mr. Langston assumed that the release was the result of his representations to Mr. Prophète. Mr. Prophète, however, repelled the suggestion and maintained the positions previously assumed by him, at the same time disclaiming all official knowledge of what had been done. He had "understood" that Mr. Van Bokkelen had been set at liberty, but observed that his release doubtless was due to some arrangement which he had made with his creditors. Mr. Langston expressed surprise at these statements.[3]

Claim for Redress.

On the 2d of October 1885 Mr. Bayard transmitted to Mr. Thompson, Mr. Langston's successor, a claim for damages for Van Bokkelen's imprisonment, with instructions to press the matter, and if the amount to be paid could not be immediately agreed upon, to propose the reference of that question to an arbitrator. In his memorial Mr. Van Bokkelen stated that he was imprisoned for fourteen months and twenty-two days. He claimed $200 a day for his imprisonment prior to the demand for his release and $500 for each day after the demand was made.[4] On the 1st of November 1885 he died; but prior to that time a claim had been presented in his behalf to the Haytian Government for $113,600.[5]

Arbitration.

On May 24, 1888, an agreement was signed for the arbitration of the claim.[6] Mr. Alexander Porter Morse was chosen as referee. The position was offered to him on the 7th of June and was accepted by him on the 8th, on which day he subscribed a declaration in

[1] For. Rel. 1885, p. 515.

[2] For. Rel. 1885, p. 521.

[3] Mr. Prophète to Mr. Langston, June 5, 1885, For. Rel. 1885, p. 524; Mr. Langston to Mr. Prophète, June 6, 1885, ibid.

[4] For. Rel. 1885, pp. 537-539.

[5] For. Rel. 1885, p. 542.

[6] For. Rel. 1888, pt. 1, p. 984.

writing that he would impartially and carefully examine and decide the case submitted to him, in good faith, to the best of his judgment, and conformably with the principles of law applicable thereto.[1]

Messrs. C. A. De Chambrun, George S. Boutwell, and James G. Berret appeared as counsel for the Haytian Government. The claimant was represented by Messrs. Kennedy and Shellabarger, of Washington, and Marston Niles, of New York.

Opinion of the Arbitrator.

Mr. Morse rendered his decision December 4, 1888, awarding claimant the sum of $60,000. The full text of the award was as follows:

"In pursuance of the protocol, dated May 24, 1888, between Hon. Thomas F. Bayard, Secretary of State of the United States, and the Hon. Stephen Preston, envoy extraordinary and minister plenipotentiary of the Republic of Hayti, representing their respective governments, after having made a declaration that I would impartially and carefully examine and decide the case submitted to me, in good faith, to the best of my judgment, and conformably to the principles of law applicable thereto, I have investigated the claim of Charles Adrian Van Bokkelen, a citizen of the United States, against the Republic of Hayti, and I now make the following statement and award:

Statement of Claim.

"This claim grows out of the imprisonment, during the years 1884 and 1885, at Port au Prince, of Charles Adrian Van Bokkelen, a citizen of the United States, by the authorities of the Republic of Hayti. The imprisonment continued for a period of nearly fifteen (15) months, and the claim made on behalf of Van Bokkelen is in the form of a demand upon Hayti for pecuniary indemnity in the sum of one hundred and thirteen thousand six hundred dollars ($113,600).

"Although the essential facts are within a small compass, and the question submitted for decision to the referee is single and explicit,[2] the case has been the subject of a multiplicity of proceedings and pleadings, judicial, executive, and diplomatic, and has given rise to voluminous correspondence and elaborate argumentation on the part of the two governments.

Proceedings and Pleadings.

"In the disposition of this case I shall confine myself as closely as may be practicable to a presentation of the essential matters, and to the determination of the single and explicit issue suggested by the terms of the protocol. It is proper, however, to state here that at an early stage of the submission of this case to me as referee a demurrer was interposed by the defendant government, and an elaborate brief was presented in support of said demurrer. After consideration of this brief, I notified counsel

[1] For. Rel. 1888, pt. 1, pp. 985–987.

[2] Protocol, May 24, 1888, Articles I. and II.

for the defendant government that there was no provision under the submission for special pleading, and that the protocol specified and indicated in express terms the subject-matter and the question submitted for determination. As a matter of fact, the argument which was entitled, 'Brief on behalf of the defendant government in support of demurrer,' is a full and exhaustive exposition of the material points relied on by the defense, and covers fifty-five (55) type-written folios.

"In addition, the limitation of time within which the referee was required to render his decision precludes the idea of the interposition of special pleading.

"And further as to the propriety of a demurrer, general or special, under this arbitration, it is to be said that a state, like an individual, accused of having inflicted wrong upon another, may shape its defense against the charge with reference to the facts, or to the law.[1] Under the terms of the protocol, as well as from the correspondence heretofore passed between the contracting parties, it seems clear that there is not now and never was any denial by the defendant government of the substantive facts which give rise to this claim.

"Subsequently complainant government and the counsel for the respective governments were notified that I desired briefs on the subject of the measure of damages. These additional briefs were duly filed and have been considered.

"The defense set up by the defendant government is rested upon a collision between the treaty and certain articles in the municipal codes of Hayti. And this issue may only be determined by reference to the treaty stipulations and to the provisions contained in the municipal statutes.

Statement of Facts.

"Charles Adrian Van Bokkelen was a citizen of the United States, who, prior to the year 1872, resided in Brooklyn, New York. In that or the following year he went to Hayti and established himself in business at Port au Prince. In 1880 he married a Haytian lady, the widow of Gen. P. Lorquet, an owner of real estate in Hayti in her own right. There were two children of this marriage, who, with their mother, reside at Port au Prince.

"On the 15th of February 1883, having sustained severe losses in his business, and a judgment against him having been affirmed in the court of cassation, which he was unable to pay, and under which he was liable to be imprisoned for one year, he filed a schedule of his assets and liabilities in the civil court of Port au Prince, preparatory to applying for the benefit of judicial assignment, under which, in Hayti, an honest but unfortunate debtor is allowed to surrender all his property for the benefit of his creditors, and is entitled to be discharged from prison, if he has been arrested, and to be free from arrest thereafter on account of his existing indebtedness. At that time, in Hayti, imprisonment for mere debt had not been abolished.

[1] Phillimore, Int. Law, Vol. III. 3d ed., p. 64.

"Three other judgments were subsequently recovered against Van Bokkelen, two in favor of the Bank of Hayti and one in favor of J. Archin, under each of which he was liable to three years' imprisonment in default of payment, making ten years in all. A fifth judgment was rendered against him in favor of St. Aude, jr., which does not seem to have decreed any imprisonment. These judgments are enumerated in Mr. Langston's dispatch, of January 14, 1885, to Mr. Frelinghuysen, and it is there stated that the terms of imprisonment fixed in three of the judgments are twice as long as would have been imposed in the case of a Haytian.

"After the filing of Van Bokkelen's schedule, which was duly recorded by the clerk of the civil court in Port au Prince, on the 15th of February 1883, the proceedings seem to have been postponed by notices or writs until the following year.

Arrest and Imprisonment.

"On or about the 5th of March 1884 Van Bokkelen was arrested on the judgment of Toeplitz & Co., and confined in the common jail of Port au Prince. Although imprisonment for debts, irrespective of fraud in contracting them or evading their payment, was then lawful in Hayti, there seems to have been no separate prison for debtors. The character of the common jail, and of the military hospital in which Van Bokkelen was confined, and the state of his health when he was incarcerated, will be noticed hereafter in connection with the question of damages.

"Van Bokkelen protested against his arrest as illegal, on the ground that by an order of the Haytian authorities, published in the official journal, 'it was made obligatory that before a foreigner could be placed in jail the complaint should first be submitted to the attorney for the government for his examination and approval, and (should be) signed with his signature, with seal attached.' On the 18th of the same month it was judicially determined that Van Bokkelen's arrest was illegal. But before he was discharged other creditors, availing themselves of a provision of Haytian law under which, when a debtor is imprisoned, they can keep him in jail by 'recommending' him, recommended him accordingly, and the jailer refused to discharge him.

"It is to be noted that these creditors took advantage of Van Bokkelen's illegal imprisonment to keep him from getting out of jail by a method which would not have enabled them to put him in.

"Van Bokkelen thereupon, through his counsel, applied to the civil court of Port au Prince for the benefit of judicial assignment.

"He had been advised that under the treaty of 1864 between the United States and Hayti he was entitled to the benefit of judicial assignment the same as if he were a citizen of that country.

"In the proceedings upon Van Bokkelen's petition to the

civil court of Port au Prince for the benefit of judicial assignment, twelve of his creditors appeared, and all but two assented.

"These opposing creditors raised various objections, but insisted mostly on article 794 of the code of civil procedure and article 569 of the code of commerce, which expressly exclude foreigners (*les étrangers*) from the benefit of this provision of Haytian law.

"All the objections of the opposing creditors were traversed by the petitioner. His counsel argued that the schedule of his assets and liabilities was sufficient; that his misfortunes and good faith were manifest; that the treaty of 1864 between Hayti and the United States repealed article 794 of the code of civil procedure and article 569 of the code of commerce, so far as the disability attaching to the petitioner in his character of American citizen or foreigner was concerned. This he argued at length, and also claimed that inasmuch as the petitioner had established himself at Port au Prince in business and married a Haytian wife, who owned real property in the city and had borne him children, having thus fixed his home, as well as his commercial interests, in Hayti with the knowledge of the government, a just construction of the term '*les étrangers*' required that he should not be treated as a foreigner or a stranger, but as a domiciled merchant entitled to all civil rights and privileges as distinguished from those that are political; and in support of the proposition that the exercise of civil rights is independent of the exercise of political rights, and that 'the capacity of a citizen resides in the combination of civil and political rights,' he cited Article II. of the civil code of Hayti.

"The opposing creditors (Toeplitz & Co.) rejoined that they had no knowledge of the treaty and had not been served with a copy, and therefore moved for information in that regard at the cost of the petitioner. Petitioner's counsel replied that the treaty was not a document, but a law of which no one was supposed to be ignorant.

"It appears also that the Government of Hayti, as well as all the parties to these proceedings, was represented by counsel and heard by the court.

Decision of the Civil Court.

"The first question that the court decided was 'whether the petitioner should be condemned to furnish to Toeplitz & Co. information regarding the treaty concluded between Hayti and the United States of America, and whether such information should likewise be furnished to Louis Nadal.' That question the court decided in favor of Van Bokkelen, as follows:

"'Whereas a treaty, concluded between Hayti and the United States of America, November 3, 1864, sanctioned by the Senate, and promulgated by the executive branch of the government, is a law of the state;

"'Whereas article 75 of the code of civil procedure renders it obligatory upon the petitioner to furnish a copy of the

documents or of that part thereof upon which the petition is based; but it does not provide that a copy of the law or of the provision of the law on which the petition is based shall be furnished;

"'Whereas, thus, Mr. C. A. Van Bokkelen is not obliged to furnish information of the treaty to Louis Nadal, and can not be condemned to furnish such information to Toeplitz & Co., who are under obligations, just as C. A. Van Bokkelen is, to have knowledge of the law.'

"On the main question, involving the rights of Van Bokkelen under the treaty, and deciding upon the objection of his alienage based upon article 794 of the code of civil procedure and article 569 of the code of commerce, interposed by L. Toeplitz & Co. and by Louis Nadal, the court, after having deliberated, denied Van Bokkelen's application.

Decision of Court of Cassation.

"His application to make the judicial assignment having been denied by the civil court of Port au Prince, Van Bokkelen was kept in jail. He appealed to the court of cassation—the court of last resort—which rendered its decision, affirming the judgment of the civil court on the 26th of February 1885, almost a year from the time when Van Bokkelen was first imprisoned. It seems that pending his appeal the time within which further objections could be made by his creditors to his petition expired on the 21st of October 1884, and that no one, not even the parties upon whose application he had been illegally arrested the previous March, made any opposition. This fact is stated in a letter from Van Bokkelen's father to Mr. Frelinghuysen, who was then Secretary of State, dated November 15, 1884, a copy of which was transmitted by Mr. Davis, Acting Secretary, to Mr. Langston, United States minister at Port au Prince November 19, 1884.

Diplomatic Intervention.

"The Secretary of State of the United States was informed of this decision on the 21st of March 1885, and on the 28th of the same month he sent a dispatch to the United States minister at Port au Prince, in which, after reviewing the facts and the law, he claimed that there had been a denial of justice in Van Bokkelen's case, and that he should be released from jail forthwith, in the following terms:

"'The release of Mr. Van Bokkelen is now asked on independent grounds. It is maintained, first, that continuous imprisonment for debt, when there is no criminal offense imputed, is contrary to what are now generally recognized principles of international law. It is maintained, secondly, that the imprisonment of Mr. Van Bokkelen is a contravention of articles 6 and 9 of the treaty of 1865 between the United States and the Republic of Hayti.

"'The Haytian Government has a clear and ample opportunity to relieve this case from all difficulty by recognizing the error of their courts in supposing that the privilege of

release of an imprisoned debtor would be denied to a Haytian citizen by the United States courts upon making assignment of his property for the benefit of his creditors.

"'You are now instructed to earnestly press the views of this government, as outlined in this instruction, on the early attention of the Government of Hayti by leaving a copy thereof with the minister of foreign affairs.

"'The response of the Government of Hayti should be promptly communicated to this department.'

"On the 17th of April 1885 Mr. Langston sent a copy of this dispatch to the Haytian Government and urged the prisoner's immediate release, inviting attention also to his 'feeble and failing health.' The reply of the Haytian Government, twelve days later, was an elaborate defense of Van Bokkelen's imprisonment—solely, however, upon the ground that he was an alien.

Prisoner's Release.

"Meanwhile, and shortly after the decision of the court of cassation, the prisoner, who, at the request of the United States minister, had been removed to the military hospital on account of his infirm condition, was sent back again to the common jail. On the 15th of May the United States minister sent another note to the Haytian Government, insisting on Van Bokkelen's immediate release, and on the afternoon of the 27th of that month Van Bokkelen was conducted to the United States legation by an attorney of the Haytian Government, 'on its order, as stated, and thus given his release and liberty.' On the 5th of the following June Mr. Langston received a note from the Haytian secretary of state for foreign affairs, maintaining the position which had been held throughout by the Haytian Government, and closing as follows:

"'I understand that Mr. Van Bokkelen has been put at liberty. This result, happy for him, is due, doubtless, to some arrangement made with his creditors. This, besides, to which I will not address myself further, as it is not proper, has itself, as you will understand, been accomplished without interference of the executive power; it comes to pass without saying that it annuls in no wise the considerations which this department has plead relative to the case of Van Bokkelen.'

"Pending Van Bokkelen's appeal to the court of cassation, the Department of State, upon representations of the United States minister at Port au Prince in regard to the adjudged illegality of the arrest in the first instance, and the prisoner's unquestionable right under the treaty to make the judicial cession and obtain his release, had instructed the minister to use every proper effort with the Haytian Government to that end.

Demand for Damages.

"Mr. Van Bokkelen sailed for the United States shortly after his release, and on his arrival made a statement of his case to the Secretary of State and an appeal for his good offices in collecting indemnity from the Haytian Government. In response,

Mr. Bayard addressed a note to the United States minister at Port au Prince, dated October 2, 1885, instructing him as follows:

"'DEPARTMENT OF STATE,
"'*Washington, October 2, 1885.*

"'SIR: I herewith inclose a copy of a letter from Mr. C. A. Van Bokkelen, of the 19th ultimo, in reference to his illegal imprisonment at Port au Prince and his claim for damages in consequence thereof.

"'In view of Mr. Van Bokkelen's present statement of facts and those already before your legation in regard to his case, I desire that you will call the attention of the government of Hayti to his claim. There can be no doubt that Mr. Van Bokkelen was wrongfully imprisoned by the Haytian authorities, and that great damage accrued to him thereby.

"'Under these circumstances, therefore, you are directed to ask and to press for the redress claimed by Mr. Van Bokkelen, or, if the amount to be paid can not be immediately agreed upon, for a reference of the question to an arbitrator, so that the case may be disposed of without unnecessary delay.

"'I am, etc.,

"'T. F. BAYARD.'

"To this Mr. Thompson, who had succeeded Mr. Langston, made the following reply:

"'LEGATION OF THE UNITED STATES,
"'*Port au Prince, Hayti, November 3, 1888.*

"'SIR: I have to inform you of the death of Mr. Charles A. Van Bokkelen, who died on the 1st instant, at 2 o'clock in the afternoon, aged 37 years. He was buried on the 2d instant, many Americans and foreigners following the remains to their last resting place. I attended the funeral, and it was a fact worthy of note that a sincere feeling of sadness at his death and sympathy for his wife and two small children seemed to pervade all present.

"'I had entered his claim against the Haytian Government to the sum of $113,000 some time before his death, and will continue to press the same, as advised by the department.

"'I am, etc.,

"'JOHN E. W. THOMPSON.'

"Subsequent negotiations between the two governments have resulted in an agreement to submit the claim to arbitration.

Questions to be Arbitrated.

"Two questions arise on the facts:

"1. Was Van Bokkelen entitled by the terms of the treaty between the Republic of Hayti and the United States, concluded November 3, 1864, to be discharged from prison on the same terms as a citizen of Hayti imprisoned for the same cause?

"2. If there has been a violation by Hayti of the treaty rights of Van Bokkelen, what should Hayti pay to the United

States, by way of damages, for the benefit of the representatives of the deceased?

"The first question submitted by the two governments for the decision of the referee is contained in the first article of the protocol of May 24, 1888, and is in the following words:

"'It having been claimed on the part of the United States that the imprisonment of Charles Adrian Van Bokkelen, a citizen of the United States, in Hayti, was in derogation of the rights to which he was entitled as a citizen of the United States under the treaties between the United States and Hayti, which the government of the latter country denies, it is agreed that the questions raised in the correspondence between the two governments in regard to the imprisonment of the said Van Bokkelen shall be referred to the decision of a person to be agreed upon, etc.' (English text, article 1.)

"'Comme il a été soutenu de la part des États-Unis que l'emprisonnement de Charles Adrian Van Bokkelen, citoyen des États-Unis, en Haïti, a eu lieu en dérogation des droits qui lui appartenaient comme citoyen des États-Unis, d'après les traités entre les États-Unis et Haïti, ce qui nie le Gouvernement du dernier État, il est convenu que les questions soulevées dans la correspondance entre les deux Gouvernements au sujet de l'emprisonnement du dit Van Bokkelen, seront référées à la décision d'une personne qui sera désignee, etc.' (French text, article 1.)

"It appears clearly from the language of article 1 that the subject-matter of this arbitration is the imprisonment in Hayti of Charles Adrian Van Bokkelen, a citizen of the United States, by the authorities of Hayti.

"The contention of the complainant government is that said imprisonment was in derogation of Van Bokkelen's rights as a citizen of the United States under the treaties, and the answer of the defendant government, while admitting the American citizenship and the fact of imprisonment of Van Bokkelen by the authorities of Hayti, denies that his imprisonment was in derogation of treaty rights. The contention of the complainant government is based upon the language of articles 6 and 9 of the treaty between the United States and Hayti, concluded November 3, 1864.

"The defendant government does not deny the existence of the treaty or the guaranty of the rights and privileges which it solemnly announces. But the substance of the contention on the part of the defendant government is that this right or privilege of free access to the tribunals of justice in Hayti is defeated and nullified by the language and force of article 794, code of civil procedure, and article 569, section 2, code of commerce. This contention has been sustained by the courts of first and last resort of Hayti, and has been proclaimed by the executive of Hayti.[1] Under this decision of the courts and executive of Hayti, Van Bokkelen was imprisoned in the common jail for nearly fifteen months.

"Counsel on behalf of defendant government submit various propositions of fact and law, from which they proceed to argue,

[1] Exhibit No. 4, pp. 32–34; For. Rel. 1885, pp. 449, 535–536.

which are founded upon or connected with the preliminary proceedings and pleadings in the courts of Hayti anterior to the judgment and decrees of the Haytian courts. These propositions refer to a multitude of defenses, nearly all of which were regularly interposed in defense in the court of first instance and the court of last resort. But all these several defenses have been withdrawn from the referee as a result of the action of the courts of Hayti, resting their decisions upon a single specific ground (which has been accepted by the contracting parties as the sole question now at issue), and which has been submitted to the decision of the referee. (Protocol, May 24, 1888.)

"In this view of the case the referee is not at liberty to go behind the situation and enter upon an original inquiry as to whether the schedule (*bilan*) was regularly prepared and submitted; whether the circumstances of the case indicated fraud on Van Bokkelen's part; whether a Haytian citizen, under similar circumstances, would have been discharged from imprisonment upon making a judicial assignment, etc. And if, at any time, I shall incidentally advert to such matters, it will be because it seemed unavoidable in the particular connection in which it occurs.

Contentions of the Haytian Government.

"I proceed now to consider various contentions of counsel for the defendant government.

"The first brief, which is entitled a 'Brief on behalf of the defendant government in support of demurrer,' insists:

"1. That the language employed by Van Bokkelen in the proceedings before the tribunals at Port au Prince in April 1884, in which he describes himself as an American citizen by birth, 'residing at Port au Prince and domiciled at New York, United States of America,' 'defines exactly the international status of claimant.'[1] In answer to this suggestion it may be admitted that the general proposition is substantially correct. It is taken to mean that Van Bokkelen was a citizen of the United States at the time of the occurrence out of which his claim against Hayti arose; but it is not understood that Van Bokkelen's description of himself as 'residing at Port au Prince and domiciled at New York,' has any other or further significance than to place him within the guaranties of protection of articles 6 and 9 of the treaty of November 3, 1864. It is to be observed, however, that 'the international status of claimant' must be determined not by description, but by the facts of his case. As a matter of fact, the American citizenship of Van Bokkelen has never been questioned.

"2. The contention of counsel for defendant government that Van Bokkelen, during the years 1882 and 1883, was a merchant doing brokerage business at Port au Prince may be conceded. And the recital of the details of the litigation in preliminary

[1] First brief of counsel for defendant government, p. 3.

suits between Van Bokkelen and his various creditors may be accepted as correct without having any controlling influence upon the determination of the claim now submitted to the referee.[1]

"3. Counsel for the defendant government argue 'that only one ground of error was assigned and passed' by Van Bokkelen on his appeal upon the judgment of the civil court to the court of cassation, while the judgment of the lower court disclosed the fact that 'at least twelve questions of law or fact were raised by the various pleadings of the parties.'[2] And counsel say that Van Bokkelen 'sought to reverse the said judgment upon one sole ground, namely, that article 794 of the code of civil procedure and article 569 of the code of commerce excluded aliens from the operation of the laws regulating the *cessio bonorum;* and that said articles were contrary to articles 6 and 9 of the treaty between the United States and Hayti.'[3]

"In answer to this suggestion, it seems only necessary to say that the court of first instance and the court of last resort based their final decision on the single ground stated by them.

"It may be added that by the very language of the protocol, the single ground upon which Van Bokkelen 'assigned and pressed' his appeal to the court of cassation has been adopted as the very question constituting the subject-matter of this arbitration. In this view the anterior and intermediary proceedings, whether by way of diplomatic intervention, or as the result of the various procedures of the local courts of Hayti, can not be held to have any controlling influence so far as the result of the present arbitration is concerned.

"In a word, the protocol—which must be the guide and grant of jurisdiction for the referee—crystallizes and formulates the substantial grounds of past discussion and controversy in a single, definite issue, and furnishes the rule of decision. The issue presented by the protocol is whether the acts of the authorities of Hayti in respect to Van Bokkelen, a citizen of the United States, were in derogation of his rights as such citizen; and the rule furnished for the decision of the question raised by the issue are the treaties between Hayti and the United States.[4]

"4. The contention of counsel for defendant government is that 'full faith and credit must be given to the tribunals of Port au Prince.'[5]

"In answer to this point reference is made to what has just been said in reply to the first point. It may be added that the ground of complaint made by the complainant government is

[1] First brief of counsel for defendant government, pp. 4–6.

[2] Id. 6, 7.

[3] Id. 7.

[4] Protocol, May 24 1888, article 1.

[5] First brief of counsel for defendant government, p. 8.

that the judgment of the Haytian courts is in contravention of treaty stipulation, which the defendant government denies. And to decide this very issue the question has been, by consent of the contracting parties, referred to international arbitration.

"The position of the defendant government as to this point would, if admitted, preclude any examination or decision by the referee, and would result in making the referee simply the register or recorder of the acts and decrees of the local courts of Hayti. This may not be, for the reason that the protocol imposes upon the referee the decision of the question raised in the correspondence[1] and found in the record. For a rule and guide for his decision he is referred to the treaties between Hayti and the United States; and for the interpretation of treaty language and intention, whenever controversy arises, reference must be had to the law of nations and to international jurisprudence. It is a general maxim, when it is a question of international controversy, that neither of the contracting parties has a right to interpret a treaty according to its own fancy.[2]

"5. Another argument of counsel for defendant government is that a citizen of Hayti who intends to avail himself of the benefit of judicial assignment (*cession de biens*) must establish affirmatively that he has been unfortunate, and that he has acted in good faith. This point is elaborated with much detail, both in the brief accompanying the note of the Haytian minister[3] addressed to the Secretary of State of the United States, August 15, 1887, as well as in the brief now under consideration. The answer to this proposition and argument is that all this may be conceded without its having any influence upon the present controversy, and for this reason: The acts of the judicial tribunals and of the executive of Hayti of which the complainant government complains are rested upon different and independent grounds, and these grounds are that Van Bokkelen was not permitted free access to the tribunals of Hayti on the same terms as citizens of Hayti; and, as has been before stated, the referee is confined to the decision of the single specific question presented by the terms of the protocol.

"6. The further contention of counsel for the defendant government[4] is that the jurisprudence of France, Belgium, and Hayti has constantly 'maintained a distinction as between aliens and citizens, and have held that aliens have enjoyed natural rights, but that they were excluded from civil rights.' The answer to this proposition is that if any such distinction between what are here styled 'natural' rights and 'civil' rights existed in Hayti they were abolished in respect to citizens of

[1] Protocol, May 24, 1888, article 1.

[2] Vattel, book 2, Chapter XVI. p. 265.

[3] Hon. Stephen Preston.

[4] First brief, p. 16.

the United States commorant in Hayti at the time of the occurrences herein complained of by virtue of articles 6 and 9 of the treaty of November 3, 1864. It is not, therefore, necessary to enter into any consideration as to the nice distinction between natural, civil, and political rights. These terms, however, have a well-understood meaning in the law of nations and in modern international jurisprudence. In addition to protection to life, liberty, and property, the class which exercises political rights in a community participates in the governing power either by themselves or representatives. The class which enjoys civil rights is equally entitled to protection to life, liberty, and property, but the individuals composing it can not exercise political rights under any claim founded simply upon possession of civil rights. But the record and correspondence clearly show that the extent of Van Bokkelen's claim was a demand, formally and regularly submitted to the tribunals and to the executive power of Hayti, that he might be admitted to the enjoyment of those strictly civil rights guaranteed to him by the treaty of November 3, 1864; and it would appear that even in Hayti the exercise of 'civil' rights is independent of the exercise of 'political' rights, and that the capacity of a citizen resides in the combination of civil and political rights.[1]

"7. The counsel for defendant government submit that, 'under the civil law nothing short of a clear, positive treaty stipulation can enable an alien to claim the exercise of civil rights.' All this may be admitted, and yet the concession would not avail the defendant government upon the case under consideration, and for the following reasons:

"(*a*) It is here a question of international and not civil law.

"(*b*) And a 'clear, positive treaty stipulation' does by express language enable an alien, if he be a citizen of the United States and within the jurisdiction of Hayti, to claim the exercise of civil rights.[2]

"8. Counsel for defendant government make a point that at one time Van Bokkelen described himself as 'domiciled in New York.'[3] It can not be perceived how that fact, although it should be conceded—which it is not—could be held to except him from the guaranties contained in the treaty. The American citizenship of Van Bokkelen being conceded by the terms of the protocol, the question of domicil cuts no figure in the case.

"9. Counsel for defendant government insist that the true meaning of the second section of article 6 of the treaty of November 3, 1864, is disclosed by 'careful examination of article 794 of the code of civil procedure and article 569, section 2, of the code of commerce.'

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[1] Civil code of Hayti, article 2.

[2] Articles 6 and 9, treaty of November 3, 1864.

[3] First brief of defendant government, p. 18.

"Counsel say that the second section of article 6 of the treaty is simply intended to secure to Americans, against any possible repeal, the rights guaranteed them by said articles of the codes and the construction given them by the Haytian courts.[1] The answer to this suggestion is obvious. It is negatived by the very language of article 1 of the protocol of May 24, 1888. And the guaranty of enjoyment of civil rights (i. e., the admission to the tribunals of justice) by citizens of the United States resident or domiciled in Hayti on the same terms with native citizens was not limited to time, but was to avail them during the existence and operation of the treaty.

"By provisions of article 42, treaty of November 3, 1864, the treaty was to 'remain in force for the term of eight years, dating from the exchange of ratifications; and if one year before the expiration of that period neither of the contracting parties shall have given notice to the other of its intention to terminate the same, it shall continue in force, from year to year, until one year after an official notification to terminate the same as aforesaid.' It is not denied that this treaty is still in force.

"Counsel for defendant government seek to restrain and confine the treaty guaranty of 'free access to the tribunals of justice' to very narrow limits; and it is insisted that this clause could work no change in the laws of Hayti, either general or special; and it is said that 'the meaning of the words free access, used in the treaty,' constituted a guaranty of free access to courts '*upon the same terms as the civil law and a constant practice provided for them.*'[2] But the answer and denial to that proposition is contained in the language of the treaty itself, which provides the conditions, namely, '*on the same terms which are granted by the laws and usage of the country to native citizens.*' And the connection in which this language occurs makes the inference irresistible that it included all the steps and processes of the judicial tribunals of either of the contracting parties.

"10. Counsel for defendant government lay great stress upon the declaration that 'American citizens sojourning, residing, or trading in Hayti,' must be held to conform to the municipal laws of Hayti.[3] There can be no question but that such an obligation was imposed upon all citizens of the United States in Hayti. But, in this case, there is no complaint that Van Bokkelen, in respect to this matter, did not yield obedience to the municipal laws in operation in Hayti, except as they were modified or repealed by treaty stipulations. And the converse of the proposition is equally true, namely, that American citizens sojourning, residing, or trading in Hayti

[1] First brief of counsel for defendant government, p. 19.

[2] Id. 21.

[3] Id. 23.

are under the protection of public law, and the treaty stipulations to which Hayti and the United States are the contracting parties.

"11. Counsel for defendant government devote much space to the consideration of the nature and character of the proceeding known as judicial *cessio bonorum*.[1] And it is submitted 'that the application made to the court, to be admitted to the benefit of *cession de biens* can not be regarded in the light of a suit to enforce a right.' To this it may be replied that no such contention is presented in this controversy. In the view of the referee, the judicial *cessio bonorum* does not appear to be in the nature of an independent suit. On the contrary, it is, as I shall further on indicate, a dependent process or step in the ordinary procedure.

"12. It is further submitted on behalf of defendant government that at the utmost 'argument that the second section of article 6 of the treaty has repealed the provisions of civil law discriminating against aliens in the matter of judicial *cession de biens*, rests upon a repeal by implication of the aforestated articles of the code of civil procedure and of the code of commerce.'[2]

"It may be conceded that the cases agree in saying that repeals by implication are not favored. But the very authorities cited by counsel hold that in case of positive repugnancy between the provisions of new laws and those of the old, the former operate to repeal the latter.[3]

"In the case under consideration, the provisions of the municipal codes of Hayti, or rather the interpretation sought to be put upon them by counsel for defendant government, are absolutely repugnant to the stipulations in the treaty of a later date.

"13. It is further contended that if the subdivision of paragraph 2 of article 6 implies the repeal of articles 794 and 569 of the code of civil procedure and the code of commerce, 'it would just as well mean that the fundamental distinction underlying the whole system of civil law, as it exists in France or Hayti, has been repealed by implication, and that at best a few obscure words, which referred exclusively to remedies and not to rights, inserted in the treaty stipulation, operate as a repeal of important parts of the whole municipal legislation of Hayti.'[4]

"It is not perceived that such a result would follow, and it is not understood that the contention of complainant government extends to make any such claim or demand that would result in revolutionizing the judicial system of Hayti. On the

[1] First brief of counsel for defendant government, p. 25.

[2] Id. 27.

[3] State v. Hall, 17 Wall. U. S. 425-430; Crow Dog, 109 U. S. 555-570; Arthur v. Homer, 96 U. S. 137, 140; Hartford . U. S., 3 Cranch, 109.

[4] First brief of counsel for defendant government, p. 29.

contrary, as has been indicated, the whole scope and effect of the guaranty clauses in articles 6 and 9 of the treaty of November 3, 1864, stipulating for 'free access to the tribunals of justice' of the respective states, is to place the citizens of Hayti and the citizens of the United States, as to the administration of justice, upon the same footing. It is not clear what force there is in the suggestion that the guaranties in the treaty stipulations must be confined to 'remedies' and not to 'rights.' For, whether free access to the tribunals of a country for the purpose of prosecuting or defending a suit be described as a remedy or as a right, is unimportant. It is in this relation a matter of description rather than of substance. It is the proceeding with which we are concerned, and not the name of it. The right or privilege to make a judicial assignment, under appropriate circumstances, involves the application of a remedy recognized by the law of Hayti.

"'Remedies,' says Mr. Justice Story, 'are part of the consequences of contracts."[1] It is laid down by the same author as a general rule, 'that all foreigners, *sui juris*, and not otherwise specially disabled by the law of the place where the suit is brought, may there maintain suits to vindicate their rights and redress their wrongs.'[2] It is true that until the treaty of November 3, 1864, went into operation, citizens of the United States, in common with other aliens, were excluded by the letter of the municipal law from the benefits of the judicial assignment. But from the date of the exchange of ratifications of that treaty the benefit of the right or the remedy of judicial assignment was accorded to citizens of the United States. 'Free access to the tribunals of justice, etc.,' means a right to stand in court, either voluntarily as plaintiff, or involuntarily as defendant; and after appearance the suitors or parties litigant must have a right to invoke all the usual, ordinary, and necessary processes of the tribunal, whether it be for purposes of prosecution or by way of defense. In the case under consideration Van Bokkelen was arraigned before the local courts of Hayti, in some of the suits at least, *in invitum;* and as an incident of compulsory process, he was imprisoned. Being within the jurisdiction and power of the Haytian court, the treaty stipulations were intended to secure to him, a citizen of the United States, the right to avail himself of all the instrumentalities and processes of the tribunals of justice.

"14. It is further contended on behalf of defendant government that article 9, treaty of November 3, 1864, must be construed in the light of the civil law, and certain provisions of the Haytian civil code in regard to the transmission of property.[3]

"But the protocol makes the treaties between the United States and Hayti the sources of reference for the guidance of

[1] Conflict of Laws, section 337.

[2] Id., section 565.

[3] Brief of counsel for defendant government, pp. 31–33.

the referee. And consequently the obligations and covenants of a reciprocal character, which are contained in these treaties, constitute the supreme law as between the complainant and defendant governments.[1] In the view which the referee has taken of the question submitted to him, the stipulations and guaranties contained in article 6 of the treaty are in themselves sufficient to justify the claim of Van Bokkelen to stand in justice in the courts of Hayti on the same terms with native citizens. However, it does not seem to the referee that the cumulative force of the stipulations in article 9 in respect to the transmission of property can be lessened by the argument of the defendant government insisting upon a restrictive interpretation of the latter article. The construction sought to be put upon article 9 is cramped, narrow, and forced.

"15. It is insisted on behalf of defendant government that 'the whole scope and purpose of the treaty was plainly not to abrogate any law, but to recognize all existing laws in either country and subject the temporary resident to the operation and protection of these laws.'[2]

"The answers to this proposition are obvious. The temporary resident was already subject to the operation and the protection of the laws of the respective countries; but this protection was unequal. In the United States the Haytian citizen could not, in the absence of contumacious fraud, be denied the privilege of making a judicial assignment, or what was equivalent to it, for the benefit of his creditors; nor could he be imprisoned, under the circumstances in which Van Bokkelen was held in bodily confinement. In Hayti, on the contrary, prior to the treaty of November 3, 1864, a citizen of the United States was liable, by the letter of the Haytian statutes, to be summarily arrested and imprisoned for an indefinite period of time, and was excluded from the benefit of judicial assignment. It was to remedy this and other inequalities that articles 6 and 9 were incorporated into the treaty. And their immediate effect and purpose was to relieve the citizens of either of the contracting parties from odious and harsh discrimination of the local laws and to place them on the same footing. If the contention of the defendant government should be admitted, it would render null and void the stipulations of articles 6 and 9. The object of the treaty, as expressed in its opening paragraph, is 'to make lasting and firm the friendship and good understanding which happily prevail between both nations, and to place their commercial relations upon the most liberal basis.' The articles defining the reciprocal rights of citizens of each of the two nations residing and doing business in the territory of the other will be hereafter noticed.

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[1] Protocol, article 1.

[2] First brief of counsel for defendant government, p. 39.

"16. In regard to the suggestion on behalf of defendant government, charging Van Bokkelen with falsehood and fraud, because his representations in regard to his financial condition were different at different times, it may be said that there is no proof in the record that Van Bokkelen was endeavoring, or ever attempted, to keep back or conceal anything or reserve any benefit for himself. And the different estimates which he is charged with having made at different times may be easily reconciled with his changed status and the condition in which he found himself. But whatever presumptions may have availed against Van Bokkelen during the preliminary proceedings in the court of first instance, they may not, in the absence of positive proof, have any force or weight in the consideration of the question now under arbitration. The courts of Hayti and the executive have nowhere rested their action denying to Van Bokkelen the right to make a judicial assignment upon any charge or suggestion of fraud or informality in those proceedings. And the starting point for the decision under this arbitration must be the action of the courts and the executive of Hayti.

"17. Counsel for the defendant government say the 'second section, article 6, opens the courts of the country to the alien upon the same terms as they are open to native citizens; *but it does not change or propose to change any rights pertaining to American citizens.*' And it is insisted that the repeated references to the laws and usages of the country must be taken to mean that American citizens possess no rights in Hayti except those which are specified in the municipal statutes. And the contention then is, that the rule of interpretation which is to be applied in this case is that laid down by M. Pradier Fodéré:[1] 'Lastly, treaties and conventions must be construed in the light which agrees with *public order* established among the contracting nations, and more particularly with their principles of *public law* and with the organization of their jurisdiction; *in case of doubt, and unless there are irrecusable proofs, the construction which is in harmony with the civil and public laws of France must prevail over that which would create a privileged and exceptional right.*'

"It is not perceived how the contention can be sustained which insists that the treaty does not change or propose to change any rights pertaining to American citizens, when, in view of the language of the treaty, its stipulations provide for the guaranty and protection and vindication of the rights of the citizens of the contracting parties on the same terms. The position of defendant government does not receive any support from the citation from M. Pradier Fodéré, for the reason that the author is referring to the '*public order*' and the '*civil and public laws*,' and not to *special* or *private* rights and remedies.

[1] Cours de Droit Diplomatique, II. 457.

"M. Pradier Fodéré further on says:

"'Il est donc manifeste qu' aucune des nations n'a le droit d' interpreter a son gre les conditions obscures du contrat, ou d'en deleguer l'examen a ses tribunaux, pas plus qu'il a est loisible a la partie qui a consenti une convention synallagmatique d' interpreter elle-meme, ou de faire interpreter par un mandataire a son choix, les clauses obscures ou ambigues que contiendrait cette convention.'[1]

Judicial Character of Treaties.

"18. It is further insisted that it is 'upon the claimant to establish as an affirmative proposition that the treaty of 1864 between the United States and Hayti has repealed the provisions of articles 794 of the code of civil procedure and 569 of the code of commerce.' This contention has been considered elsewhere in this opinion at some length.

Case of Napier v. Richmond.

"Three cases decided by the court of cassation in France, at long intervals of time, are principally relied upon by counsel for defendant government in support of the contention that articles 6 and 9 of the treaty may not be interpreted to abrogate or repeal the municipal statutes in repugnance or conflict therewith. The first and most important is the case of Napier and others *v.* The Duke of Richmond,[2] which is cited in support of the contention that 'diplomatic treaties must be construed in the light where they are in harmony with public and civil law in use among the contracting nations.' This decision, which was rendered on the 24th of June 1839, holds that treaties between nations are not of the character of simple administrative and executive acts, but that they possess the character of laws; that the courts are competent to interpret treaties between nations on the occasion of private (individual) contests which refer to the particular treaties; that when a treaty has stipulated for the giving up to an alien of immovable property located in France and subject to its authority, the courts are competent to decide whether this giving up, after (agreeably to) the treaty, should operate to the benefit of a single alien heir who is mentioned in it, or of all the heirs, in the proportion of their hereditary rights and interests; that in the interpretation of diplomatic treaties the judges should prefer an interpretation which agrees with the common law and the public law of France to that interpretation which conflicts with these principles; that, in particular, the treaty of 30th of May 1814, which, in one of its additional articles, decides, first, that the withdrawal of the sequestration or embargo levied by the decree of Berlin of the 21st of November 1806 upon the d'Aubigny tract of land belonging to the Third Duke of Richmond; second, that the restitution to the nephew of the latter should not be considered as a grant of said land

[1] Cours de Droit Diplomatique, II. 457.

[2] Journal du Palais, year 1839, II. 2 *et seq.*

in favor of this one alone conformably to the law of primogeniture recognized in England, and to the exclusion of all others having equal right, title, or interest, but this grant must be executed with reference to the succession of the Third Duke of Richmond, so that this tract of land should be divided among all those entitled in succession in accordance with the rule established by the civil code under the title 'Successions.'

"It is to be observed in the first place of this decision, that the subject-matter was real (immovable) property within the territory and jurisdiction of France, and the court rendering the decision was a court of France. The rule is familiar, that the law which governs as to real (immovable) property is *lex rei sitæ;*[1] and under application of this rule the French court, in a controversy between conflicting individual interests, used the language which occurs in this decision, and which has been copied by the civil court of Port au Prince as applicable to the question in controversy in Van Bokkelen's case.

"As the civil court of Port au Prince, and the court of cassation of Hayti, in stating the rule which must govern in the interpretation of treaty language, have quoted and relied upon isolated expressions of the court of cassation of France in pronouncing judgment in Napier *v.* Duke of Richmond, it will be necessary to consider the latter case with some particularity.

"The subject-matter in Napier *v.* Richmond was a tract of land described as the d'Aubigny tract situated in the jurisdiction of France. Like many other estates belonging to the Crown of France, it had been granted to a foreign family. This grant reached back to the year 1422, having been made by Charles VII. in favor of one of the Stuarts of Scotland, who had rendered signal service to France in her wars with England. In the year 1673 this grant was renewed by Louis XIV. in favor of the Duchess of Portsmouth, a French lady, in the language of the grant, to be enjoyed by said duchess, and after her decease by such one of the natural sons of the King of Great Britain whom he might designate, and the male descendants in direct line of this natural son. This grant, which evidently, says the court of cassation of France, had for its object to win over Charles II. to the interests of Louis XIV. does not, however, present in appearance any political character. Charles II. designated as the successor of the Duchess of Portsmouth a natural son whom he had by her, named Charles Lennox, who took the title of First Duke of Richmond.

"He enjoyed until his death possession of the d'Aubigny tract, and transmitted it successively to his eldest son and to the eldest of his grandsons, Second and Third Dukes of Richmond. This property underwent all of the vicissitudes of the French wars and revolutions. Confiscated during one of the said wars of succession, it was restored by the Treaty of Utrecht; confiscated again in 1792, during the wars of the revolutions,

[1] Story, Conflict of Laws, §§ 364–367, 424, 428, 463.

it was restored at the Peace of Amiens. Finally, having been confiscated for the third time in 1806, it was again restored by the treaties of 1814 and 1815. When, by the Decree of Berlin of 21st of November 1806, the French Government, availing itself of reprisals against England, declared as good prize all the properties belonging to Englishmen in France, the d'Aubigny tract was occupied by Charles Lennox, Third Duke of Richmond, who had taken possession in 1750. This duke died on the 19th of December 1806, without issue, leaving four sisters and the children of a full brother, who died before him, one of whom took the title of the Fourth Duke of Richmond, who was the father of the defendant in this case. This condition of things continued until the treaty of peace of the 30th of May 1814, the fourth article of which stipulated in general terms for the withdrawal of confiscations of the war. However, a secret clause of this treaty added: 'The confiscation of the Duchy of d'Aubigny and the property which belongs to it will be raised, and the Duke of Richmond placed in possession of the property such as it is now.'

"A royal ordinance of the 8th of July 1814, the terms of which reproduced textually those of the secret clause, and an order of the prefect of Cher, of the 3d of August following, were forwarded to the Fourth Duke of Richmond, who was then in France at the head of a division of the English army, putting him in possession of the d'Aubigny tract. His possession was confirmed by a *procès verbal* of the 30th of November 1814. The natural heirs of the Third Duke of Richmond, who did not live in France, being advised later of their rights, addressed themselves, in 1830, to the French courts to demand from the Fifth Duke of Richmond, who had succeeded his father in 1819, a division of the d'Aubigny tract, as belonging to the succession of the third duke. To this demand was opposed notably the provision of the secret clause of the treaty of 1814, insisting that it contained a special derogation from article 4 of this treaty, which prescribed in a general way the raising of the confiscations of the war. The heirs replied that this article 4 and the secret clause should be interpreted one by the other; that it was proper to reconcile their provisions; that the second was only a confirmation of the first, and that it was not reasonable to regard this secret clause as a private and exclusive grant for the benefit of the feudal heir of the third duke. In this condition of the respective claims of the several parties the tribunal of Sancerre, having had the controversy submitted to it, rendered judgment on the 9th of July 1834, which decreed the partition of the d'Aubigny tract.

"Among other reasons assigned for the judgment were the following:

"'As to the second question raised in the argument, that by the literal text the previously dated treaty raised the confiscation affixed to the d'Aubigny tract, and stipulated for the restoration of the property to the Duke of Richmond; that

although by this denominative expression could not be understood the third duke, against whom the confiscation had been affixed, since the plenipotentiaries must have known that this duke, their colleague in the cabinet and in the House of Lords of England, had been dead nearly eight years, it must be understood that the grant was in fact to his heirs, according to this maxim, *Hæres substinet personam defuncti;* that, moreover, if the treaty did not say that in default of the third duke his representatives should be called to receive the benefit, it was because in a previous article it was stated in a general and absolute manner that the principle of the restoration was in favor of the former proprietors or their heirs, and that this general provision applied to the Duchy of d'Aubigny neither more nor less than to the other cases of restoration; that the confiscation of the d'Aubigny tract, by virtue of the decree of Berlin of 21st of November 1806, must be considered as a spoliation, and that the Treaty of Paris of 1814 stipulated for the restoration of this tract to the proprietor or to those having a right, but that it was not possible to regard the terms of this treaty, as expressed, as a personal statute and as a reward to the Fourth Duke of Richmond; that the restoration of the property would not have been complete if it did not result to the benefit of those having a right or claim to it; that the treaty of 1814, understood in such a restricted sense, would not have been a restoration—a reparation—but the maintenance and continuation of an unjust spoliation, which, however, the high contracting parties declared that they wished to put an end to after the military events which had provoked them; that whereas the succession of the Third Duke of Richmond was opened 19th of December 1806, but at that time the law of the 25th of October 1792 had abolished all kinds of substitution, and that this succession, so far as property situated in France was concerned, was governed by French laws, agreeably to article 3 of the civil code; and that it devolved or descended in five parts to the brothers and sisters of the deceased or to their representatives, in accordance with the terms of article 750, civil code; that in the treaty of the 30th of May 1814 there is no expression that leads to the belief that there was any abrogation of a legislation which had become fixed in our customs or any failure or omission of national dignity which would have resulted in subjecting property situated on the soil of France to the rules of English legislation.'

"The above decree or judgment of the tribunal of Sancerre was brought by the Duke of Richmond on appeal to the royal court of Bourges, which rendered its decision on the 11th of March 1835, reversing the judgment of the tribunal of Sancerre. From this decision an appeal was taken by the heirs of the Fourth Duke of Richmond to the court of cassation of France. When the case came before the court of cassation, the eminent lawyer, M. Dupin, then attorney-general for the government, made an elaborate argument in support of the

position of the heirs of the Fourth Duke of Richmond and in defense of the decree of the tribunal of Sancerre.

"The court of cassation of France reversed the decision of the court of Bourges, sustaining in substance the decree of the tribunal of Sancerre, as well as the main argument of the attorney-general. In announcing its judgment the court of cassation, among other propositions, held:

"'On the first branch of the argument: Whereas the defendant, having been summoned to make partition of the d'Aubigny tract and to restore the fruits and allowances received by him, as well as by the Fourth Duke of Richmond, has opposed as the principal exception or objection a secret clause in the treaty of the 30th of May 1814, to this effect: "The confiscation affixed to the Duchy of d'Aubigny and on the property which belongs to it shall be raised, and the Duke of Richmond shall be placed in possession of the property such as it is presently;" that the defendant has drawn from this clause the consequence that he had been invested with the exclusive property of this immovable by the diplomatic convention of 1814, and the complainants having disputed this interpretation, the first question to decide in the case is that relative to the true sense and effect of the stipulation above cited; whereas the tribunals having jurisdiction of the action were necessarily competent judges of the exception or objection, since they were not prohibited by any provision of law; that the defendant without avail invokes the principle which forbids the judicial authority to interpret administrative acts; that the treaties between nations are not simple administrative and executive acts; that they possess the character of law and can not be applied and interpreted but in the forms and by the authorities intrusted with applying all the laws within their jurisdiction whenever disputes which give rise to this interpretation have private interests for their object; that the action of complainants, founded upon their character as heirs, raised the questions of private succession and of property, which is allotted by the law to the judicial power; whereas the decrees attacked instead of pronouncing judgment on the questions determining the true sense of this clause, which was never published or inserted in the Bulletin des Lois, declared that the royal court had not the right to seek out the sense of the treaty, and that the complainants should go before the competent authority who executed this act before availing themselves of their character, pretended or real, as heirs in equal proportions of the Third Duke of Richmond; that it resulted from these reasons that the royal court refused to pronounce judgment as well on the principal action and as to the title of the heirs, which was the main question, as also on the exception and the meaning of the clause; that it referred all the points of which it was regularly seized to another authority, which it did not indicate; that the complainants would be deprived by this dismissal of all means of obtaining a legal decision upon their demand; whereas the royal ordinance of

the 8th of July 1814, and the prefect's decree of the 3d of August following are only acts in execution of the treaty and of the obligations which article 4 of the additional clauses imposed upon each of the contracting powers to raise several confiscations which had been affixed; that moreover these acts, which did not add anything to the treaty, and with which they are identified, can not be considered as acts belonging to the exercise of the administrative power, cognizance of which was forbidden to the tribunals.

"'As to the second branch of the argument: Whereas, the decrees denounced, after having in their reasons declared the incompetency of the tribunals, and referred to another authority, had meanwhile decided that the complainants could not sustain their action, for the reason that the treaty invested the defendant with the property of the immovable claimed by them; that the reasons for these decrees and their provisions imply a contradiction; that they have, in addition, ignored: First, the text of the laws which govern immovables situated in France, and their transmission to the heirs; second, the true meaning of the treaty and of the secret clause; third, the rules established by the civil code for the interpretation of conventions; finally, the d'Aubigny tract, being situated in France was governed, as to the succession of the Third Duke of Richmond, by the law of France; that substitutions were abolished, and the privilege of the oldest male was suppressed, and that the heirs of this duke were entitled to receive this property in equal portions, and that they were invested with it by the mere operation of law; that the defendant can not invoke the law of nations to claim the grant of an exclusive right; that the transmission of property by way of succession is governed by the civil law of each state; whereas, if the text of this stipulation left any doubt of its true meaning, it would be disposed of by the rules of law in reference to the interpretation of conventions; that the first is to seek out the common or ordinary intention of the contracting parties rather than to stop at the literal meaning of the terms; that it is impossible to suppose that the intention of the plenipotentiaries was to regulate the law of succession between co-heirs; to grant to one the whole property in the estate or land to the exclusion of the others, without any indemnity whatever to these latter; that this grant to the Fourth Duke of Richmond alone would have been in derogation of French legislation, and would have created in France a property or estate governed by privileged and exceptional law; that such an intention, which would be in opposition to all the provisions of the treaty, can not be admitted without unexceptionable proofs; that it would have been expressed in positive terms if it had existed; that all the clauses should be interpreted one by the other so as to give to each the meaning which results from the whole text, and the secret clause should be understood in the sense of a restoration to the one who was entitled, or to

his heirs, in accordance with the spirit of the treaty; that diplomatic treaties should be understood in the sense which places them in accord with the civil and public law recognized by the contracting parties; that the interpretation given to the clause by the decrees which are attacked puts them in opposition to all the laws, the civil as well as the public law of France; that in not designating by name which Duke of Richmond should be placed in possession, the clause could only have had in view the one who was dispossessed, or his representatives; that in admitting the fourth duke to restoration it was for the benefit of his co-heirs as well as for himself. It results from the considerations which precede, that the decrees which are attacked for refusing to take into consideration the rights of the parties in accordance with the interpretation of diplomatic conventions, and in deciding that the apparent text of these conventions had dispossessed the heirs of the Thi d Duke of Richmond of their rights to the d'Aubigny tract, have violated and misapplied the laws above cited.'

"It seems to the referee that the above exposition of facts and of law which were involved in the case of Napier *v.* The Duke of Richmond, and the decision of the court of cassation of France thereon, make it clear that that case does not justify the use or application which the Haytian courts have attempted to make of it by incorporating in their judgments isolated expressions which are withdrawn from the context in the decision of the former case. The court of cassation of France simply decided that they would not put such a construction upon treaty language as would result in the abrogation of the law of descent of France in respect to real (immovable) property; that as to such property the *lex rei sitæ* governed; and that it was impossible to suppose that the intention of the plenipotentiaries was to abrogate the laws of descent of France in this respect, and that such an intention would be in conflict with all the provisions of the treaty.

"In the view taken of that case there does not seem to be room for complaint or criticism. And there is no evidence that the action of the Government of France, as expressed in the decree of its supreme court, has been ever excepted or objected to by Great Britain. If, however, Great Britain had considered that as a consequence of this decree injustice had been done to one of her citizens, or a treaty stipulation had been violated by France, she would, no doubt, have made it the subject of international settlement.

Case of Challier v. Ovel.

The second case cited by counsel for defendant government in this connection is Challier *v.* Ovel, which was decided by the court of cassation of France on the 17th of March 1830.[1] The extent to which the court went was to hold that, although article 22 of the treaty of the 24th of March 1760 between France and

[1] Journal du Palais, year 1830, p. 272.

Sardinia[1] had abrogated a principle sanctioned by article 121, ordinance 1629, as also by articles 21–23 and 21–28, civil code, and 646, code of civil procedure, it did not follow that the execution of these judgments rendered by the Sardinian tribunals should be decreed in France when they were contrary to the maxims of the *public law of France* or to the *public order of jurisdiction;* and that in refusing to decree in France the execution of the judgment and decrees rendered in the cause by the Piedmontese tribunal, the decree attacked only conformed to the principles of the public law, *and did not violate either the treaty of 1760, or any law.*

"Challier *v.* Ovel was a case where a citizen of France, having been arraigned before one of the courts of Sardinia, demurred to the jurisdiction of that court, and claimed exemption from suit in the foreign jurisdiction, insisting that he could only be sued in the jurisdiction of his domicil, which was France. The Sardinian court, notwithstanding his plea, proceeded with the cause and rendered judgment against him. It was such a judgment against a citizen of France, so obtained, that the court of cassation of France declined to put into execution. The case has nothing in common with Van Bokkelen *v.* Hayti.

Case of Balestrini v. Aubert.

"The third case cited by counsel for defendant government in this connection is Alberto Balestrini *v.* Aubert and others.[2] The conclusion reached was that international treaties are not simple administrative acts; that they may be applied and even interpreted by judicial authority when it is a question of conventions having for their object individual interests.

"The case of Balestrini *v.* Aubert presented a controversy between contesting associates, one of whom had a concession under the provisions of a treaty which gave him a right to establish and operate a telegraph line under a new system of electric cable between France and the United States. The contest was as to the respective interests of these several associates, and the provisions of the grant or concession in the treaty came thus for consideration incidentally before the court. It was in such a case that the court of cassation of France held that the stipulations of a treaty could be applied and interpreted by judicial authority whenever it was a question of agreements or conventions having private or individual interests for their object. It must be perceived that there is no similarity between that case and the one under consideration.

"The *ratio decidendi* in all these cases is very plain. It is this, that the judicial tribunals of a country, when called upon to decide controversies between individuals which grow out of or are dependent upon treaty stipulations, will not hesitate to construe the language of those treaties according to the rules

[1] Wencke, Codex Juris Gentium, III. 226.

[2] Journal du Palais, year 1873, pp. 37, 38.

of law which apply to all instruments. They will construe the provisions so as to give effect to rather than to defeat the intention of the contracting parties; and they will reconcile apparent conflicts of particular parts by reference to the context in which they occur and to the whole instrument. They will not impute to the plenipotentiaries in the negotiation of a treaty an intention which is in conflict with the fundamental law of the State. They will not lend their sanction to execute a treaty stipulation when it is in violation of the fundamental law of the jurisdiction; and they do this upon the ground that it is beyond the competency of the treaty-making power to enter into stipulations which are in conflict with the public law or the public policy of the jurisdiction.

"'The treaty-making power is necessarily and obviously subordinate to the fundamental laws and constitution of the state, and it can not change the form of the government or annihilate its constitutional powers.'[1]

"This language has been used by distinguished American jurists in reference to the Government of the United States. It applies equally to the public policy and limitations of all constitutional states.

"In every civilized state two principal divisions of law are recognized: First, the law which regulates the public order and rights of nations, which is called *jus publicum;* second, the law which determines the private rights of men, which is called *jus civile.*[2] The law of procedure (the adjective law) is distinguished from the fundamental law of a state, and includes remedial law, which is a law whereby a method is pointed out to recover a man's private rights or redress his private wrongs.[3] And the instrument by which the individual vindicates his rights and remedies his wrongs is an action or suit at law. In this sense an action is not a right, but it is the means which the law affords for pursuing the right. '*Actio non est jus, sed medium jus persequendi.*'[4]

"'I consider,' says Lord Bacon, 'that it is a true and received division of law into *jus publicum* and *jus privatum*, the one being the sinews of property and the other of government.'[5] Law defines the rights which it will aid and specifies the way in which it will aid them. So far as it defines, thereby creating, it is 'substantive law.' So far as it provides a method of aiding and protecting, it is 'adjective law,' or procedure.[6]

"It would seem to be clear from the cases decided by the court of cassation of France, heretofore cited, that the deci-

[1] Story, Commentaries on the Constitution of the United States, III. section 1508; Kent's Commentaries, I. 167, 287, notes.

[2] Tomlin's Law Dictionary, word "Law."

[3] Blackstone's Commentaries, I. 53.

[4] Austin, Jurisprudence, Vol. II. sec. 1034, p. 183, citing Heineccius.

[5] Preparation Toward the Union of Laws, Works, VII. 731.

[6] Holland, Jurisprudence, 75.

sions do not sustain the position taken by the Haytian courts and by the counsel for defendant government. In the case under consideration Van Bokkelen petitioned the court for the purpose of availing himself of the law of procedure guaranteed to him by the treaty. The pretension that articles 6 and 9 of the treaty of November 3, 1864, contained any stipulation that was violative of the fundamental law of Hayti is without any foundation.

"The article (1054, civil code of Hayti) which Van Bokkelen invoked for his protection belongs to the law of procedure or the adjective law of Hayti. And the article 794 (Haytian code of civil procedure) and article 569 (Haytian code of commerce), which the Haytian authorities opposed in denying Van Bokkelen's petition, are also a part of the law of procedure or adjective law of Hayti. They do not form a part of the constitutional, fundamental, or national law of Hayti. And the attempt by the judicial and executive authorities of Hayti to characterize a simple judicial assignment as an institution of civil law, or an institution of civil right, in the sense intended, is a misuse of language and a misapplication of terms.

Case of Marryat v. Wilson.

"The counsel for defendant government invite attention to 'the leading English case on this subject,' upon which they placed some reliance.[1] This was an action between private litigants upon several policies of insurance on a certain ship and cargo, upon which the defendant in error had effected insurance. While on a trading voyage ship and cargo were captured by a British squadron, and thus became a total loss to the owners and insurers. Demand was then made by the insured upon the insurer to make good his proportion of the loss so incurred. He refused to do so, and when sued set up the defense that the voyage on which ship and cargo were lost was illegal. On the trial before king's bench and exchequer chamber it was admitted that the voyage was illegal unless it was within the protection of certain articles of the treaty between Great Britain and the United States, concluded the 19th of November 1794. Defendant insisted that the voyage was not within the letter of the treaty, and therefore it was illegal. But the exchequer chamber held that the voyage was within the spirit, though not the letter of the treaty, and in deciding the case used the language quoted in the argument for defendant government.[2]

"Chief Justice Eyre, in deciding the case, said:

"'There may be reason to apprehend that this treaty will open a door to many of our own people whom the policy of our laws has shut out from a direct trade to the East Indies. In truth, it can hardly be expected that the spirit of commerce too often found eluding laws made to keep it within bounds,

[1] Marryat v. Wilson, 1 Bosan. and Puller, 430 et seq.

[2] First brief of counsel for defendant government, p. 37.

that the *lucri bonus odor* should not embark British capital in this trade. This ought to have been foreseen, and therefore I conclude it was foreseen, and that it was found that the balance of advantage and disadvantage preponderated in favor of the treaty. If not, those who advised it will have to answer for it; responsibility is not with us. We are not even expounders of treaties. This treaty is brought under our consideration incidentally as an ingredient in a cause in judgment before us; we only say how it is to be understood between the parties to this record.

"'This we are bound to do; we have but one rule by which we are to govern ourselves. We are to construe this treaty as we would construe any other instrument, public or private. We are to collect from the nature of the subject, from the words and from the context, the true intent and meaning of the contracting parties, whether they are A and B, or happen to be two independent states. The judges who administer the municipal laws of one of those states would commit themselves upon very disadvantageous ground—ground which they could have no opportunity of examining—if they were to suffer collateral considerations to mix in their judgment on a case circumstanced as the present case is. * * * Whether the trade should have been conceded under any qualifications or restrictions is one thing; it having been conceded, now to attempt to cramp it by narrow, rigorous, forced construction of the words of the treaty is another and a very different consideration. We can not suppose that an indirect advantage was intended to be reserved to the East India Company by so framing the treaty that the American trade might by construction be put under disadvantage, because this would be chicanery unworthy of the British Government, and contrary to the character of its negotiations, which have been at all times distinguished by their good faith to a degree of candor which has been supposed sometimes to have exposed it to the hazard of being made the dupe of more refined politicians. The nature of the trade granted, in my opinion, fixes the construction of the grant. If it were necessary to go further strong arguments may be drawn from the context of this article and the contrast, which the comparing it with the preceding article will produce.'[1]

"Far from advancing the argument of counsel for defendant government, the conclusions and the reasoning of the Chief Justice in Marryat *v.* Wilson are strongly opposed to the contention of the defendant government, and sustain the position of the complainant government in this case. Marryat *v.* Wilson is strong authority for the proposition that the municipal tribunals of a country may not nullify the purpose and effect of treaty language by imposing upon it a cramped, narrow, and forced construction. And it is to be observed

[1] Marryat *v.* Wilson, 1 Bosan. and Puller, 435, 436.

that in the case before the exchequer chamber, the judgment of the court sustaining interpretation of treaty stipulations which would give effect to the spirit, if not to the letter, of the treaty, was rendered in a case where the beneficiaries were aliens—that is, citizens of the United States—and in denial of defenses set up by British subjects before one of the superior courts of Great Britain.

"It is to be noted that these several decisions of the highest courts of France and Great Britain, which are cited and relied upon by the defendant government on this branch of the argument, are cases in which the conclusions of the courts were in support and protective of the private property rights of individuals. The result of all these decisions was to work out substantial justice between the parties. In the case under consideration, the result of the judgments of the Haytian courts and the action of the executive of Hayti was to defeat the efforts of Van Bokkelen to protect himself from wrong and injustice, and to secure to himself rights plainly guaranteed to him, in common with all other citizens of the United States, by the treaty.

The Head Money Cases.

"Counsel for defendant government cites a decision of the Supreme Court of the United States,[1] referred to as the Head Money Cases, to the effect that so far as a treaty made by the United States with any foreign nation can become the subject of judicial cognizance in the United States, it is subject to such acts as Congress may pass for its enforcement, modification, or repeal.

"On this point there is not room for much controversy. But an act of the Congress of the United States in derogation of treaty rights has always been held to be a ground for diplomatic intervention. In the case under consideration the converse of the proposition announced by the Supreme Court in the Head Money Cases is presented. Here the collision or conflict is between provisions contained in prior municipal statutes of Hayti, and stipulations of a treaty between the United States and Hayti of a subsequent date. The rule is universal that a prior statute is repealed by a subsequent statute which is absolutely repugnant; *leges posteriores priores contrarias abrogant.* The same principle applies when a municipal statute and a treaty stipulation is in competition. A treaty stipulation of a later date repeals a prior statute with whose provisions it is repugnant. And the reverse of the proposition is maintained by the Supreme Court of the United States.[2] In the Head Money Cases the Supreme Court of the United States laid down the following propositions:

"'A treaty is primarily a compact between independent nations. It depends for the enforcement of its provisions on

[1] Edye *v.* Robertson, 112 U. S. 580.

[2] Foster *v.* Neilson, 2 Peters, U. S., 314; Taylor *v.* Morton, 2 Curt. U. S. 454; Hauenstein *v.* Lynham, 100 U. S. 483.

the interest and the honor of the governments which are parties to it.

"'If these fail, its infraction becomes the subject of international negotiations and reclamations, so far as the injured party chooses to seek redress, which may in the end be enforced by actual war. It is obvious that with all this the judicial courts have nothing to do and can give no redress. But a treaty may also contain provisions which confer certain rights upon the citizens or subjects of one of the nations residing in the territorial limits of the other, which partake of the nature of municipal law, and which are capable of enforcement as between private parties in the courts of the country. An illustration of this character is found in treaties which regulate the mutual rights of citizens and subjects of the contracting nations in regard to rights of property by descent or inheritance, when the individuals concerned are aliens. The Constitution of the United States places such provisions as these in the same category as other laws of Congress by its declaration that "this Constitution and the laws made in pursuance thereof and all treaties made or which shall be made under authority of the United States shall be the supreme law of the land." A treaty, then, is a law of the land as an act of Congress is, whenever its provisions prescribe a rule by which the rights of the private citizen or subject may be determined. And when such rights are of a nature to be enforced in a court of justice, that court resorts to the treaty for a rule of decision for the case before it, as it would to a statute."[1]

"It will be seen from the above review of the several arguments on behalf of defendant government that many of the propositions which are still strenuously urged in defense are addressed to the consideration and support of subsidiary and collateral issues which are by the terms of the protocol excluded from the consideration of the referee.

Treaty of November 3, 1864.

"It becomes, therefore, necessary to examine the provisions of the treaty upon which complainant government relies in its intervention on behalf of Van Bokkelen, and to the application of which defendant government objects.

"Section 2, article 6, stipulates:

"'The citizens of the contracting parties shall have free access to the tribunals of justice in all cases to which they may be a party on the same terms which are granted by the laws and usage of the country to native citizens,' etc.

"'Les citoyens des parties contractantes aurent libre accès près les tribunaux de justice dans toutes les causes où ils seront intéressés, aux mêmes conditions que les lois et les usages du pays font aux nationaux,' etc.

"In view of the explicit language in both texts, it would seem clear that the guaranty to the citizens of contracting states of 'free access to the tribunals of justice in all cases to which they may be a party on the same terms which are granted

[1] Edye v. Robertson, 112 U. S. 433.

by the laws and usage of the country to native citizens,' means that they shall be entitled to the exercise of all the processes of the courts of the respective countries, whether they concern rights or remedies. And the extent to which these processes of the courts may be invoked is expressed in language equally free from doubt: 'On the same terms which are granted by the laws and usage of the country to native citizens.' It is not denied that a citizen of Hayti, in the situation which Van Bokkelen was, would have been entitled to release from imprisonment upon making a judicial assignment. Indeed, the language and reasoning of the Haytian courts and of the executive of Hayti admit as much.

"'The citizens of each of the high contracting parties within the jurisdiction of the other shall have power to dispose of their personal property by sale, donation, testament, or otherwise; and their personal representatives, being citizens of the other contracting party, shall succeed to their personal property, whether by testament or *ab intestato*. They may take possession thereof, either by themselves or by others acting for them, at their pleasure, and dispose of the same, paying such duty only as the citizens of the country wherein the said personal property is situated shall be subject to pay in like cases,' etc.

"'Les citoyens de chacune des hautes parties contractantes auront, dans la juridiction de l'autre, la faculté de disposer de leurs biens mobiliers par vente, donation, testament, ou autrement; et leurs successeurs, citoyens de l'autre partie contractante, pourront hériter de leurs biens mobiliers soit par testament, soit *ab-intestat*. Ils pourront en prendre possession soit par eux-mêmes, soit par des tiers agissant pour eux, comme ils le voudront, et en disposer sans payer d'autres droits que ceux auxquels sont assujettis, dans les mêmes circonstances, les citoyens du pays, où sont situés les dits biens mobiliers,' etc.

Judgments of the Haytian Courts.

"There would seem to be no ambiguity in the language of these articles; and the best way to construe them is to follow the words thereof.

"But the civil court of Port au Prince, and the court of cassation affirming the decision of the civil court, denying Van Bokkelen's petition to execute a judicial assignment, decide that there is nothing in articles 6 or 9 of the treaty of November 3, 1864, which guarantees to Van Bokkelen, or any citizen of the United States, the right to release from imprisonment upon the execution of a judical assignment conformably to the terms of the civil procedure of Hayti. The civil court decided, among other things, that the 'reason which causes the exclusion of foreigners is that the benefit of an assignment has always been regarded as *an institution of civil law* which should benefit native citizens only;' and 'it is impossible to suppose that it was the intention of the contracting plenipotentiaries to abrogate or modify, by article 9 or by article 6 of the treaty, as those articles are worded, article 794 of the code of civil procedure and article 569 of the code of commerce, which exclude a foreigner from the benefit of making an assignment;' and further, that 'whereas, although the text of this stipulation (article 9), and even that of article 6, which grants to the citizens of the two contracting parties free access to the courts

of justice, in all cases in which they shall be interested, on the same terms that are granted by the laws and usage of the country to native citizens, might leave some doubt with regard to their true meaning, it would be dispelled by the rules of law concerning the interpretation of conventions which are applicable to treaties;' and this court then proceeds as follows:

"'Whereas the first of these rules is to seek out the common intention of the contracting parties rather than to be guided by the literal meaning of the terms.'[1]—Translation.

"From this decision of the civil court of Port au Prince, rendered May 27, 1884, Van Bokkelen appealed to the court of cassation, which rendered its decision affirming the decision of the civil court, on February 26, 1885, almost a year from the time Van Bokkelen was first imprisoned.

"The court of cassation, affirming the judgment of the civil court, held:

"'Whereas the judicial assignment of property is an institution of civil right, the articles 769 (794) of the code of civil procedure and 569 of the code of commerce, excepting foreigners from the benefit of this institution, since they do not exercise in Hayti all rights, they can only enjoy privileges derived from natural rights or of mankind, and not those which are derived from purely civil law.'[2]—Translation.

"If, as I shall hereafter endeavor to show, the judicial assignment (*cession de biens*) is simply a step in the procedure of the courts in bankruptcy proceedings, it is not perceived how the description of it 'as an institution of the civil law' can have the effect of withdrawing it from the guaranty expressed in the treaty grant of 'free access to the tribunals of justice,' unless it was excepted in terms from the treaty stipulations.

"Of the decree of the court of cassation, affirming the decision of the civil court of Port au Prince, it is to be observed

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[1] Exhibit No. 4, pp. 32, 33.

[2] "Whereas nowhere in the treaty of friendship, of commerce, of navigation, and of the extradition of fugitive criminals, concluded November 3, 1864, between the United States of America and the Republic of Hayti is to be found that it confers upon the citizens of these two countries the right to exercise the judicial assignment of property, there can be concluded from the terms of articles 6 and 9 of the treaty nothing which would authorize the opinion that this right could be invoked in the United States by a Haytian, or in Hayti by an American. In consequence thereof, Americans can not enjoy in Hayti such civil right, the enjoyment of which is attached exclusively to the quality of a Haytian. That in stipulating that 'the citizens of the contracting parties should have free access to the courts of justice in all cases wherein they may be interested, on the same conditions that the laws and usages of the country give to their citizens, furnishing security required in the case,' this provision of the article (6) was not intended to grant to the citizens of these two nations the enjoyment of civil rights which do not attach (except) to citizens."—Translation.

that the latter court follows substantially, though not literally, the reasoning of the former.

"A careful reading of the decree of the court of cassation indicates that the court has, in its attempts to justify the authorities of Hayti, indulged in the same peculiar reasoning as the civil court of Port au Prince; and it is consequently open to the same criticism.

"The extreme to which the court has gone in search of reasons to justify its judgment indicates the absence of that good faith which should characterize the interpretation of treaty stipulations. And in view of the language of articles 6 and 9 of the treaty of November 3, 1864, it is difficult to understand by what process of reasoning the court reached the conclusion that a citizen of the United States, within the jurisdiction of Hayti, '*can only enjoy privileges derived from natural rights or of mankind, and not those that are derived from purely civil law.*'

"Equally illogical and untenable is the reasoning of the court of cassation in holding that nowhere in the treaty of November 3, 1864, is there to be found a provision which may be held to confer upon the citizens of the contracting states other and additional rights, i. e., full right to exercise the 'judicial assignment' of property. Under the public law or law of nations aliens enjoy purely natural rights in whatever state they may be. And in the absence of any treaty, a citizen of the United States would have enjoyed natural rights in Hayti; but the terms of the treaty of November 3, 1864, stipulate, in effect, that such citizens shall further enjoy civil rights.

"The court of cassation, although admitting that the treaty stipulates that 'the citizens of the contracting parties should have free access to the courts of justice, in all cases wherein they may be interested, on the same conditions that the law and usages of the country give to their citizens, furnishing security required in the case,' maintains 'that this provision of article 6 is not intended to grant to the citizens of these two nations the enjoyment of civil rights.'

"The court of cassation is in error in assuming that the privilege of release of an imprisoned debtor would be denied to the Haytian citizen by the United States courts, circumstanced as Van Bokkelen was when he invoked the protection of the treaty. In such a case, assuming that other and ordinary applications for release had failed, the writ of habeas corpus would lie to the courts of the United States, and would avail to secure his release from imprisonment.

"In view of the treaty language and terms of the protocol, it is impossible for the referee to sustain the reasoning or the conclusions reached by the civil court of Port au Prince or by the court of cassation. It is not perceived how the nature or character of the remedy or right expressly guaranteed to citizens of the United States within the jurisdiction of Hayti can be withheld from them by describing it, as the judgment of

the civil court of Port au Prince does, 'as an institution of civil law,' or as the decree of the court of cassation does, 'an institution of civil right.' The 'judicial assignment' (*cession de biens*), as I have elsewhere pointed out, is simply an incident or step in the judicial procedure in the courts of Hayti in bankruptcy proceedings. And if it be not included within the guaranty of 'free access to the tribunals of justice,' the language is without meaning and inoperative. 'Free access to the tribunals of justice' that was limited to admission to the courts, without the privilege to plaintiff or defendant of employing the usual, ordinary processes of the court, would be a delusion and a snare. Such an intention or purpose may not, in the absence of plain language, be imputed to the high contracting parties.

"The attempt of the courts of Hayti and of the executive to exclude a citizen of the United States from the benefit of a judicial assignment, on the ground that the treaty of November 3, 1864, makes no mention of it in express terms, does not seem to call for serious consideration. Such a strained objection would only be satisfied by incorporating the body of the Haytian codes in the treaty articles. With equal force and soundness the courts of Hayti and the executive power might have denied this right, remedy, or privilege to Van Bokkelen on the ground that he was not mentioned or particularly named in the treaty. When the treaty said 'free access to the tribunals of justice * * * on the same terms which are granted by the laws and usages of the country to native citizens,' it included the whole class of citizens, and fixed the terms upon which the laws and usage of the country were to be applied to them.

"Among the international rules proposed by the Institute of International Law at Geneva, 1877, with the view to negotiation of international treaties, the following rules, among others, were adopted:

"'1. *L'etranger sera admis à ester en justice aux mêmes conditions que le regnicole.*

"'2. Les formes ordinatoires de l'instruction et de la procedure seront régies par la loi du lieu où le proces est instruit. Seront considérées comme telles, les prescriptions relatives aux formes de l'assignation (sauf ce qui est propose ci-dessous, 2me al.), aux délais de comparution, à la nature et à la forme de la procuration ad litem, au mode de recueiller les preuves, à la redaction et à prononcé de jugement, à la passation en force de chose jugée, aux délais et aux formalites de l'appel et autres voies de recours, à la peremption de l'instance.'[1]

"Reference is here made to the language of the above rules to show that when an alien is admitted to stand in justice on the same terms as a citizen, he must necessarily be entitled to invoke in his behalf all the customary and civil processes of the courts which are open to citizens.

[1] Lorimer, Institutes of the Law of Nations, II. 530.

Cession de Biens.

"In view of the fact that the executive and judicial authorities of Hayti have placed their refusal to admit Van Bokkelen to the benefits of the judicial assignment, upon the ground that by the letter of the municipal codes of Hayti all aliens are excluded from its privileges, and that it is confined to native citizens, and that it is a civil institution of the state, it becomes necessary to inquire into the real nature and character of the proceeding known as judicial assignment (*cession de biens*). This is of the first importance, because the fallacy in the reasoning of the courts and of the executive of Hayti and of counsel for the defendant government consists in attributing exceptional characteristics and functions to the act of judicial assignment.

"The provisions of the Haytian code which have been cited are here below inserted.[1]

"There is nothing exceptional, unusual, or extraordinary in this proceeding. It is not, as the language of the courts, of the executive of Hayti, and the argument of counsel for defendant government implies, a law unto itself of such supreme authority as to negative the purpose and effect of a treaty stipulation.

"The judicial assignment (*cession de biens*) of the Haytian codes is described under title 5 of the civil code of Hayti, and of 12 of the code of civil procedure, and title 2 of the code of commerce.

"There is nothing hidden or mysterious about it; it possesses no cabalistic power. And the execution of a judicial assignment is simply a step in the ordinary procedure and practice of the courts of Hayti. It is a familiar and well-known incident in the jurisprudence of the civil law. The provisions in the Haytian code were transferred bodily from the civil code of France; and France incorporated them in her code from the corresponding title (*cessio bonorum*) of the Justinian code, whence they are traced back to the Lex Julia.[2]

"'The Lex Julia, probably passed in the reign of Augustus,

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[1] Le cession judiciare est un bénéfice que la loi accorde au debiteur malheureux et de bonne foi, à quel il est permis, pour avoir la liberté de sa personne, de faire en justice l'abandon de tous ses biens à ses créanciers, nonobstant toute stipulation contraire. (Article 1054, Civil Code of Hayti.)

* * * Ne pourront être admis au bénéfice de cession *les étrangers*, les stellionataires, les banqueroutiers frauduleux, les personnes condamnées pour cause de vol ou d'escroquerie, ni les personnes comptables, tuteurs, administrateurs et depositaires. * * * (Article 794, Haytian Code of Civil Procedure.)

Ne pourront être admis du bénéfice de cession: 1. Les stellionataires, les banqueroutiers frauduleux, les personnes condamnées pour fait de vol ou d'escroquerie, ni les personnes comptables. 2. Les étrangers, les tuteurs, administrateurs au depositaires. (Article 569, Haytian Code of Commerce.)

[2] Merlin, Repertoire de Jurisprudence, IV. 46, etc.

at length exempted insolvent debtors from the penalty of imprisonment and infamy, and secured to them the *beneficium competentiæ* or right to maintenance, provided they made an immediate and complete *cessio bonorum* to their creditors.'[1]

"'The surrender was made by solemn declaration, either judicial or extrajudicial. The property thus given up was sold, and the price distributed among the creditors. The debtor was not released from his debts unless the creditors were fully paid, but he was protected from imprisonment at their instance. If the debtor subsequently acquired property his creditors were entitled to attach it, except in so far as it was necessary for his own subsistence. This latter privilege was called "*exceptio*" or "*beneficium competentiæ*."'

"'The *Lex Julia de cessione bonorum* introduced a *new procedure* in relation to a bankrupt's estate (*venditio bonorum*), which theretofore was governed by the "*missio in bona*."'[2]

Interpretation of Treaties.

"The rule for the interpretation of treaty stipulations suggested in the judgment of the civil courts of Port au Prince, as has been pointed out, was taken from its appropriate context in the decision of the court of cassation, in Napier *v.* Duke of Richmond, which case has been considered. As it is sought to be used in relation to the case under consideration, it is without relevance or authority. The language of all the authorities repudiates such a strained and singular construction, whether it be in application to private contracts or to international covenants.

"It may be said of the treaty of November 3, 1864, as was said of the Constitution of the United States by Mr. Justice Story, with the approval of Chancellor Kent, that—

"'The instrument furnishes essentially the means of its own interpretation.[3]

"'The first and fundamental rule in the interpretation of all instruments is to construe them according to the sense of the terms and the intention of the parties. The intention of a law is to be gathered from the words, the context, the subject-matter, the effects and consequence, or the reason and spirit of the law.[4]

"'And the only case in which a literal meaning is not to be adopted is limited to the exception when such construction would involve a manifest absurdity.[5]

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[1] Mackenzie, Studies in Roman Law, 1880, pp. 376, 380; Mackeldy, Roman Law, section 523; Colquhoun, Roman Civil Law, Vol. II. p. 351.

[2] Mackeldy, Roman Law, section 523; White, Recopilacion of the Laws of Spain and the Indies, pp. 170, *et seq.*

[3] Kent's Commentaries, Vol. I. p. 243; note, citing Story, Commentaries on the Constitution of the United States, Vol. I. pp. 382–442.

[4] Story on the Constitution of the United States, Vol. I. Sec. 400; Blackstone's Commentaries, Vol. I. pp. 59 and 60.

[5] Story on the Constitution of United States, Vol. I. Sec. 402, citing authorities.

"'When the words are plain and clear, and the sense distinct and perfect arising on them, there is generally no necessity to have recourse to other means of interpretation. In literal interpretation the rule observed is to follow the sense in respect both of the words and construction of them which is agreeable to common use without attending to etymological fancies or grammatical refinements.[1]

"'All international treaties are covenants bona fide, and are, therefore, to be equitably and not technically construed.[2]

"'The principal rule has already been adverted to, namely, to follow the ordinary and usual acceptation, the plain and obvious meaning of the language employed. This rule is, in fact, inculcated as a cardinal maxim of interpretation equally by civilians and by writers on international law.

"'Vattel says that it is not allowable to interpret what has no need of interpretation. If the meaning be evident and the conclusion not absurd, you have no right to look beyond or beneath it, to alter or to add to it by conjecture. Wolf observes that to do so is to remove all certainty from human transactions.[3]

"'Treaties are to be interpreted according to their plain sense.[4]

"'Publicists are generally agreed in laying down certain rules of construction as being applicable when disagreement takes place between the parties to a treaty as to the meaning or intention of stipulations. Some of these rules are either unsafe in their application or of doubtful applicability; and rules tainted by any shade of doubt, from whatever source it may be derived, are unfit for use in international controversy.

"'Those against which no objection can be urged, and which are probably sufficient for all purposes, may be stated as follows:

"'When the language of a treaty, taken in the ordinary meaning of the words, yields a plain and reasonable sense, subject to the qualifications, that any words which may have a customary meaning in treaties differing from their common signification must be understood to have that meaning, and that a sense can not be adopted which leads to an absurdity or to incompatibility of the contract with an accepted fundamental principle of law.

"'Treaties of every kind, when made by the competent authority, are as obligatory upon nations as private contracts are binding upon individuals, and these are to receive a fair and liberal interpretation, according to the intention of the

[1] Story on the Constitution of United States, Vol. I. Sec. 402.

[2] Phillimore, International Law, Vol. II. 3 ed. pp. 94–99, citing authorities.

[3] Phillimore, International Law, Vol. II. 3 ed. p. 99.

[4] Hall, International Law, p. 281.

contracting parties, and to be kept with the most scrupulous good faith. Their meaning is to be ascertained by the same rules of construction and course of reasoning which we apply to the interpretation of private contracts.'[1]

"Applying these rules to the words, the context, and the subject-matter found in articles 6 and 9 of the treaty of November 3, 1864, there would seem to be no difficulty in ascertaining their precise intention and meaning.

"The infirmity or fallacy disclosed in the reasoning of the decrees of the Haytian courts and in the message of the executive of Hayti, referring to this case and adopting the views of the courts, is, that the judges and President Salomon reason about the competition which exists between the treaty and the municipal law of Hayti as if the question of relative authority and comparative precedence was between a municipal statute of the United States and a municipal statute of Hayti. In doing this they lose sight of the important fact that the competition is between provisions contained in municipal statutes of Hayti and stipulations in a treaty of subsequent date, to which Hayti is one of the contracting parties. It would seem, from the character of the arguments submitted on behalf of Hayti, that counsel did not fail to recognize this infirmity in the reasoning of the judicial and executive authorities. And this seems to have embarrassed counsel for defendant government and accounts for the shifting positions upon which the defense in this case has, at different times, rested. It seems to be forgotten that the operation of treaty stipulations within the jurisdiction of a contracting party is not a foreign interference, nor is it the application of extraterritorial or foreign law. By the constitution and law of Hayti a treaty is a law of the state.

"The treaty of November 3, 1864, is within Lorimer's category of the third class of treaties 'as sources of international law;' treaties which, among other things, recognize the equal rights of foreigners and natives before the municipal law.[2] 'The value of treaties, as a source of the positive law of nations, is supposed to have been greatly enhanced by the annex to Protocol No. 1 of the conferences held in London in 1871 respecting the clauses of the Treaty of Paris of 1856, which have reference to the neutralization of the Black Sea. The protocol is in the following words:'

"'The plenipotentiaries recognize that it is an essential principle of the law of nations that no power can liberate itself from the engagements of a treaty, nor modify the stipulations thereof, unless with the consent of the contracting powers by means of an amicable arrangement.'"

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[1] Kent's Commentaries, Bk. 1, 13th ed. p. 175; citing Grotius, b. 2, c. 16, Sec. 1; Puff. b. 5, c. 12, Sec. 1; Rutherforth's Institutes, b. 2, c. 7; Vattel, b. 2, c. 17; Eyre, Ch. J., in 1 Bos. & Pull. 438 and 439; opinion of Sir James Marryat, cited in Chitty Comm. Law. 44.

[2] Lorimer's Institutes of the Law of Nations, Vol. I. pp. 44, 45.

Inconsistent Positions of Hayti.

"Some of the inconsistencies in the positions assumed at different times by the defendant government have been pointed out in the brief on behalf of complainant.[1]

"It was first maintained that the case of Van Bokkelen in the Haytian courts was decided only on an exception; that is to say, that the court of cassation, affirming the judgment of the court below, held that Van Bokkelen, being an alien, the said court had no jurisdiction over the subject-matter.[2]

"At a later date, referring to the decision of the courts, it was argued that 'at the utmost the Haytian judges erred in resting their decision upon grounds erroneous, or open to discussion; and the only error, if any, which may possibly be charged to them, was to set forth as a ground for their judgment that Van Bokkelen's case did not fall within the scope of the treaty, *instead of stating simply that petitioner had not taken the steps required to be entitled to the rights guaranteed him by said treaty stipulations.*'[3]

"As has been said, 'such a decision would, indeed, have created an entirely different situation.'[4]

"In the second argument or note the Haytian minister maintained that under article 148 of the Haytian code of civil procedure judgment in the Van Bokkelen case was null and void. His first proposition in regard to the action of the court is that it dismissed Van Bokkelen's case for want of jurisdiction. His second proposition is that the judgment of the tribunal of Port au Prince must be regarded as a final decision against Van Bokkelen of all the questions raised by the pleadings; and his third proposition is that Van Bokkelen did not exhaust the legal remedies afforded by municipal law, because, on account of an omission on the part of the judges to 'pass upon' all the questions raised, the judgment was null and void, and Van Bokkelen was therefore entitled to the extraordinary remedy known as '*la requête civile.*'[5]

"It is quite clear, from an examination of article 148 of the Haytian code of civil procedure, referred to by Mr. Preston, that the judges are not required to 'pass upon' all the points raised in the pleadings in the sense of judicially determining them, but only of taking notice or mentioning them in the judicial summary of the proceedings, which in Haytian procedure constitutes the judgment. And one of the objects of this requirement seems to be to furnish evidence to the parties in the judgment itself that none of their points have been overlooked. It further appears that the reopening of the judg-

[1] Brief of complainant, pp. 19, 20.

[2] Note of Hon. Stephen Preston, minister from Hayti, to Hon. Thomas F. Bayard, Secretary of State of the United States, August 15, 1887.

[3] "Statement of Facts and Points of Law," by Hon. Stephen Preston, minister of Hayti, p. 21, *et seq.*

[4] Brief of complainant, pp. 20–31.

[5] Brief of complainant, p. 31.

ment under that article can be had only 'upon the request of those who have been parties, or of those who have been duly brought into court.'[1]

"Reference is again made to the conflicting and contradictory positions assumed, at different stages of the proceedings, by the defendant government, for the purpose of showing how important and necessary it has been for the referee to confine himself to the narrow ground furnished in the single issue suggested by the terms of the arbitration. The language of the protocol necessarily fixed the decision of the Haytian courts and the action of the executive of Hayti as the starting point for the referee's examination and decision.[2] And the treaties between the high contracting parties were made the supreme law for his consideration and guidance.

Award.

"Whether the literal, natural meaning of the language, or the spirit of the treaty of November 3, 1864, or the common intention of the contracting parties be regarded, I am of opinion, first, that the imprisonment of Charles Adrian Van Bokkelen, a citizen of the United States in Hayti, was in derogation of the rights to which he was entitled as a citizen of the United States under stipulations contained in the treaty between the United States and Hayti. Second, that the record of the case and the correspondence between the two governments fails to disclose any extenuating circumstances or sufficient justification for the harsh treatment and protracted imprisonment of Van Bokkelen by the constituted authorities of the Republic of Hayti, notwithstanding the earnest and repeated protests of the representatives of the United States; and I award that the republic of Hayti pay to the United States, on behalf of the representatives of Charles Adrian Van Bokkelen, the sum of sixty thousand dollars ($60,000).

"Witness my hand this 4th day of December, A. D. 1888, at the city of Washington.

"ALEX. PORTER MORSE, *Referee.*"

Payment of the Award.

July 14, 1890, Mr. Douglass, minister of the United States at Port au Prince, signed with Mr. Firmin, minister for foreign affairs, a protocol by which it was provided—

1. That Hayti should pay the award in twelve equal installments of $5,000 each, one such installment to be paid every six months, with 5 per cent interest on the unliquidated part of the principal.

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[1] Note of Third Assistant Secretary of State, p. 8.

[2] Decree of the court of Port au Prince, May 24, 1884; decree of the court of cassation, February 26, 1885; annual message of President Salomon, For. Rel. U. S. 1885, pp. 499, 535, 536.

2. That as the award became due December 4, 1889, and nothing had been paid on it, the first installment should be considered as having become due on that day, and that two installments with interest should be paid at once.

3. That Hayti should then issue as a guaranty for the payment of the rest of the award ten bonds of $5,000 each, bearing interest at the rate of 5 per cent, the interest to cease as soon as the bond was paid.[1]

The last installment under this agreement was paid in 1895.[2]

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[1] Mr. Douglass to Mr. Blaine, July 16, 1890.

[2] Mr. Ferres to Mr. Olney, June 21, 1895, MS. Disp. from Hayti. See further as to the payment of the award, Mr. Blaine, Sec. of State, to Mr. Ferres, November 29, 1890; Mr. Douglass to Mr. Blaine, March 9, 1891; Mr. Wharton, Acting Sec., to Mr. Douglass, May 5, 1891; Mr. Uhl, Acting Sec., to Mr. Smythe, December 27, 1893: MSS. Dept. of State.

The Juridical Review, II. (1890) 76–78, has an article entitled "International Arbitration—The Van Bokkelen Case."

Annex 113

International Chamber of Shipping, "25 Largest Containership Operators", 2017

Top Containership Operators

ics-shipping.org/shipping-facts/shipping-and-world-trade/top-containership-operators

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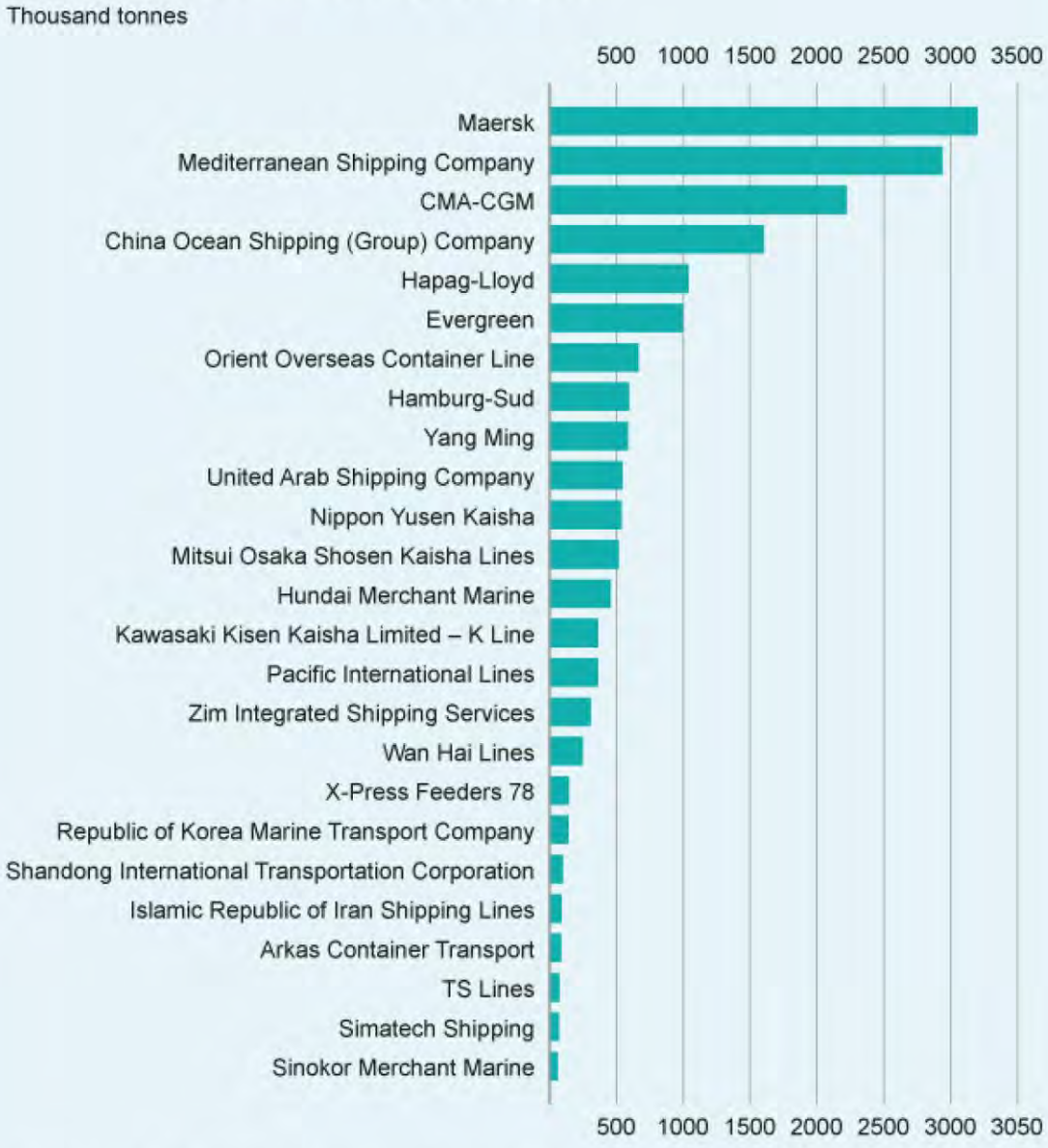
25 Largest Containership Operators



Source: UNCTAD secretariat calculations, based on data from Clarksons Research 2017

50 Largest Containership Operators

Rank, company	End-2015		End-2016		May 2017			
	Number of ships	Capacity	Number of ships	Capacity	Number of ships	Capacity	Market share	Average vessel

								%	size
1	Maersk	629	3,103,266	655	3,323,064	621	3,201,871	16	5,156
2	Mediterranean Shipping Company	487	2,734,409	458	2,802,830	469	2,935,464	14.6	6,259
3	CMA-CGM	553	2,449,350	460	2,227,600	441	2,220,474	11.1	5,035
4	China Ocean Shipping (Group) Company	285	1,616,462	254	1,508,207	277	1,603,341	8	5,788
5	Hapag-Lloyd	187	999,950	171	987,892	180	1,038,483	5.2	5,769
6	Evergreen	197	955,108	188	990,792	186	995,147	5	5,350
7	Orient Overseas Container Line	111	583,969	101	594,550	107	666,558	3.3	6,230
8	Hamburg-Süd	138	670,029	127	638,906	116	594,008	3	5,121
9	Yang Ming	101	543,772	101	584,839	100	588,389	2.9	5,884
10	United Arab Shipping Company	51	452,510	59	565,433	56	546,220	2.7	9,754
11	Nippon Yusen Kaisha	101	493,443	95	498,076	97	538,754	2.7	5,554
12	Mitsui Osaka Shosen Kaisha Lines	99	549,987	78	467,389	82	515,880	2.6	6,291
13	Hundai Merchant Marine	56	384,403	67	455,841	69	458,247	2.3	6,641
14	Kawasaki Kisen Kaisha Limited – K Line	71	397,557	63	351,890	64	363,019	1.8	5,672
15	**Pacific International Lines**	134	336,327	132	360,939	132	361,752	1.8	2,741
16	Zim Integrated Shipping Services	88	381,780	80	359,945	69	307,934	1.5	4,463
17	Wan Hai Lines	93	223,374	94	235,596	96	248,880	1.2	2,593
18	X-Press Feeders 78	78	122,504	102	160,184	92	145,454	0.7	1,581
19	Republic of Korea Marine Transport Company	67	114,833	75	150,386	72	140,365	0.7	1,950
20	Shandong International Transportation Corporation	76	98,572	75	92,043	75	100,195	0.5	1,336
21	Islamic Republic of Iran Shipping Lines	27	92,674	27	92,674	26	89,374	0.4	3,437
22	Arkas Container Transport	45	67,243	46	82,491	48	86,157	0.4	1,795
23	TS Lines	44	91,308	40	86,131	38	74,188	0.4	1,952
24	Simatech Shipping	20	55,984	22	62,816	25	70,602	0.4	2,824
25	Sinokor Merchant Marine	36	45,121	39	55,269	42	59,533	0.3	1,417
26	Transworld Group of Companies	24	40,256	31	52,856	33	57,588	0.3	1,745
27	Emirates Shipping Line	9	41,611	8	38,431	9	48,450	0.2	5,383
28	Regional Container Lines	30	54,771	26	51,631	24	47,782	0.2	1,991
29	China Merchants Group	29	37,238	27	32,208	34	46,181	0.2	1,358
30	Unifeeder	42	44,653	41	45,211	40	43,914	0.2	1,098
31	Heung-A Shipping	35	49,199	39	45,820	34	41,959	0.2	1,234
32	SM Line	-	-	-	-	11	41,406	0.2	3,764
33	Nile Dutch	16	48,867	10	32,071	11	40,957	0.2	3,723
34	Matson	20	40,952	19	39,806	19	39,806	0.2	2,095
35	Quanzhou Ansheng Shipping Company	8	21,721	9	24,121	12	37,261	0.2	3,105
36	Zhonggu Shipping	6	19,912	9	27,397	11	35,933	0.2	3,267
37	Samudera	26	31,486	26	31,929	26	32,038	0.2	1,232
38	**Salam Pacific Indonesia Lines**	29	23,260	30	26,258	31	29,576	0.1	954
39	Seaboard Marine	26	37,063	21	30,749	19	28,175	0.1	1,483
40	Temas Line	19	11,630	28	21,449	33	25,671	0.1	778
41	Namsung Shipping Company	28	26,095	26	24,900	26	24,900	0.1	958
42	Meratus Line	26	23,034	27	25,436	27	23,795	0.1	881
43	Tanto Intim Line	32	21,015	34	22,089	35	23,094	0.1	660
44	Shipping Corporation of India	7	23,252	6	22,517	5	20,648	0.1	4,130
45	Swire Group	9	10,542	10	14,144	13	20,318	0.1	1,563
46	National Transport and Overseas Services Company	6	6,600	12	15,122	14	18,622	0.1	1,330
47	Far Eastern Shipping Company	12	13,085	13	17,252	12	18,198	0.1	1,517
48	W.E.C. Lines	18	16,821	17	15,600	19	17,979	0.1	946
49	Log-in Logistica Intermodal	8	19,005	8	19,347	7	16,895	0.1	2,414
50	Far Shipping	14	20,185	9	13,361	10	14,436	0.1	1,444
Top 50		**4,253**	**18,246,188**	**4,095**	**18,425,488**	**4,095**	**18,745,871**	**4**	**578**
Top 50 per cent of total fleet			**92.40%**		**92.20%**		**93.50%**		
Top 10		**2,739**	**14,108,825**	**2,574**	**14,224,113**	**2,553**	**14,389,955**	**5**	**636**
Top 10 per cent of total fleet			**71.50%**		**71.20%**		**71.8%**		

Source: UNCTAD secretariat calculations, based on data from Clarksons Research 2017

- Shipping Facts
- Key Facts
- Shipping and World Trade
- Safety and Regulation
- Environmental Performance
- Useful Links

- International Chamber of Shipping
- 38 St Mary Axe, London
- EC3A 8BH

- Tel +44 20 7090 1460
- Fax +44 20 7090 1484
- Email info@ics-shipping.org

- ICS Films
- Events
- Sitemap

Annex 114

OECD, "Chapter 2. Understanding investor demand for government securities", *OECD Sovereign Borrowing Outlook 2019*, Ed. OECD, 23 April 2019

Chapter 2. Understanding investor demand for government securities

oecd-ilibrary.org/sites/95d8c3ff-en/index.html

OECD Sovereign Borrowing Outlook 2019

The investor base for government securities has evolved significantly over time. Today, a wide range of individual and institutional investors buy and sell government bonds and bills with different motivations. In addition, new technologies in finance have had substantial implications for primary and secondary government debt markets. This chapter looks at the evolving structure of the investor base in addition to the role of investor base information in public debt management.

Sovereign issuers have a strong interest in observing and assessing the investor base in terms of changing needs and behaviours. This is critical to enable debt managers to draw up more informed issuance strategies and to adjust investor relations and communication practice. Against the backdrop of ever-changing conditions in the investor landscape, sovereign debt managers strive to enhance the information on the investor base, as well as engage with them on a continuous basis to understand their prevailing concerns/interests. Accordingly, they adapt how they communicate, what they sell, and the way they sell through innovation and re-organization.

Introduction

The changing profile of the investor base is having a major impact on the functioning of sovereign debt markets. Today, sovereign debt management offices function in a more demanding and more volatile investor landscape. This new environment requires closer monitoring of market, a diligent communication strategy with investors and greater transparency of debt management in terms of debt statistics, long-term strategies and short-term funding plans.

Against this backdrop, this chapter discusses relevance of the investor base for sovereign debt management, access to the investor base information, current and potential changes in investor base as well as implications of these developments for issuance and communication strategies.

Key findings

- The primary objective of sovereign debt management, which is financing government borrowing needs at the lowest cost, taking into account risk, can only be achieved by encouraging the development of a liquid and efficient government securities markets, and diversifying the investor base.
- Decisions on the composition of debt issuance methods are informed by an assessment of investor demand for debt instruments by maturity and type. Issuance methods (e.g. syndications, auctions or direct sales) are also adapted based on target investor base.
- The last decade was a period of significant shifts in the investor base as well as investor behaviour, partly due to quantitative easing programmes and regulatory changes. Widespread adoption of new financial technologies are also having an influence on the trading behaviour.
- A majority of OECD countries receive broad information on foreign non-bank investor categories, under which foreign investors with significantly different investment mandates are reported together. In order to make informed decisions on issuance plans, sovereign issuers need more granular and timely investor base data, particularly concerning the subsectors of foreign investors.
- Continued funding challenges in the post-crisis environment have led to a situation where a broad and diverse investor base is more essential than before to support liquidity, depth and stability in government securities markets.
- For countries with a concentrated investor base, the challenge is to diversify the investor base in order to be prepared for a potential structural change in the ownership of government securities. For countries with limited government funding needs, the challenge is to address investors' concerns over long-term viability of government securities markets.
- Against this investor landscape, sovereign issuers would benefit from frequent and consistent dialog with investors. Investor relation programmes should cover potential investors as well as existing investor base. In addition, there is a need for re-engaging with their traditional investor base, such as pension funds and insurance companies, and putting emphasis on geographical diversification.

Relevance of investor base for sovereign debt management

Throughout the centuries, the use of government securities has grown exponentially,

with both issuers and investors using these securities for various reasons. The early examples of government debt indicate that governments issued bonds only for financing budget deficits (particularly for funding wars) and to a limited number of local investors. In modern financial markets, government securities have a wider set of roles and a broadened investor base.

They serve as a saving instrument for individuals and institutional investors, an investment instrument for central banks, a risk management instrument for companies, a collateral to secure to financial transactions, and a benchmark for pricing of other debt instruments. For example, pension funds and insurance companies invest in long-term government bonds to meet their future liabilities. Central banks use government bonds for quantitative monetary policy purposes along with reserve management. Another phenomenon observed in recent years is the increasing number of investors committed to integration of environmental, social, and governance (ESG) factors, catalysing allocation of capital to green bond markets.

Investors' preferences for specific bonds have influence on issuance and communication strategies. For example, the trend of growing ESG-sensitive investors has encouraged sovereign issuers to consider issuing green bonds and adjust their communication strategies. Similarly, demand of pension funds for long-dated indexed and fixed securities is an important factor prompting issuance choices. According to the preferred-habitat view proposed by John Culbertson (1957) and Franco Modigliani and Richard Sutch (1966), there are investors with preferences for specific maturities, and the interest rate for a given maturity is influenced by the demand of the corresponding investors and the supply of bonds with that maturity. That said, a higher demand of pension funds would be expected to raise prices of long-term bonds and thus lower long-term interest rates.

In addition to changes in investor base, new technologies in finance have had substantial implications for primary and secondary government debt markets in the last few decades. For example, new electronic systems in primary markets play an important role by making it easier for retail investors as well as institutions to bid directly in auctions. In the secondary markets, automated trading systems have improved order entry speed at a lower cost and helped market makers to maintain tight yield spreads and consistent prices for closely related assets, which in turn supports market liquidity. However, algorithms-based trading may also cause less heterogeneous behaviour, leading to greater volatility. In this regard, investor data is important to be able to assess the influence of one single investor or a group of investors or the dependence on those investors in government securities markets.

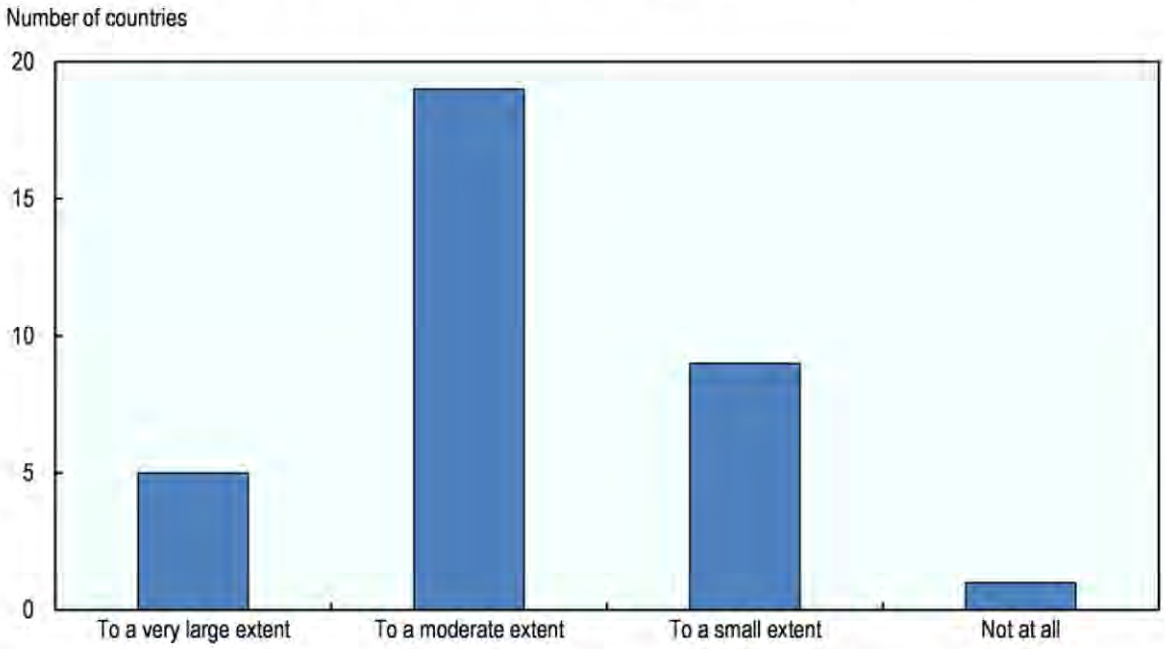
If the investor base is diverse and includes different types of investors from different geographic regions, the behaviour of any subset will have a diminished effect. Credit rating agencies also consider a broad and diversified investor base as a credit supportive feature (Moody's, 2018). For instance, when foreign investor demand reverses, provided that banking sector is able to absorb additional buying of securities, negative impact of a sell-off would be limited. Similarly, domestic institutional investors can act as a buffer

absorbing part of the excess of supply of medium-long term paper when foreign investors sell off. Therefore, a stable and diversified investor base can facilitate the absorption of volatile capital flows and mitigate the pressure on refinancing in times of stress. Nevertheless, it should be noted that there is no generally accepted definition of a diversified investor base.

From the issuers' perspective, a reliable and broadly diversified investor base is critical as it supports liquidity, depth and stability in government securities markets. Today, government debt is not only issued for financing deficits, but also to meet investors' needs for a risk-free asset and as part of a broader strategy to develop local bond markets. Indeed, since the 1990s it has been widely recognized that the primary objective of sovereign debt management, financing government borrowing needs at the lowest cost, taking into account risk, can only be achieved by encouraging the development of a liquid and efficient government securities markets, diversifying the investor base, and meeting the principles of openness, transparency and predictability. Against this backdrop, sovereign debt managers have adapted what they sell, and the way they sell to the ever-changing conditions in government securities market through innovation and re-organization. Clearly, understanding the changes in investor demand for government securities is a key element of this progression. Changes in investor demand have an influence on a wide range of sovereign debt management issues from issuance strategy to transparency and communication practices.

An issuance strategy can include different maturity and interest-rate combinations of existing instruments as well as new financing instruments. When setting issuance strategies, sovereign issuers consider investor demand for a wide range of funding instruments (e.g various types of loans, bonds, bills and commercial papers). The 2018 survey of the OECD Working Party on Debt Management (WPDM) on primary market developments mirrors this situation. Specifically, when setting issuance strategies, 33 out of 34 participant countries take investor base information into account from a small extent to a very large extent. The survey shows that investor base information is important for sovereign debt managers to implement more informed issuance strategies.

Figure 2.1. Influence of the investor base knowledge on issuance strategy



Source: 2018 Survey on primary market developments by the OECD Working Party on Debt Management.

In order to diversify the investor base, sovereign issuers focus on attracting investors with different mandates and investment horizons through issuance strategies and investor relations policies. In most cases, maturity composition of the debt issuance is determined in consideration of market needs and trends. In terms of maturity choices, overall central banks prefer short-dated securities for reserve management purposes, while institutional investors such as insurance companies and pension funds invest in long-term bonds to match the maturity of their liabilities. For example, sustained strong demand from pension funds for long-term assets is one of the driving factors of long maturity bond issuance in the UK. Similarly, life insurance companies in Japan are the major investors for super long-term Japanese government bonds (JGBs).

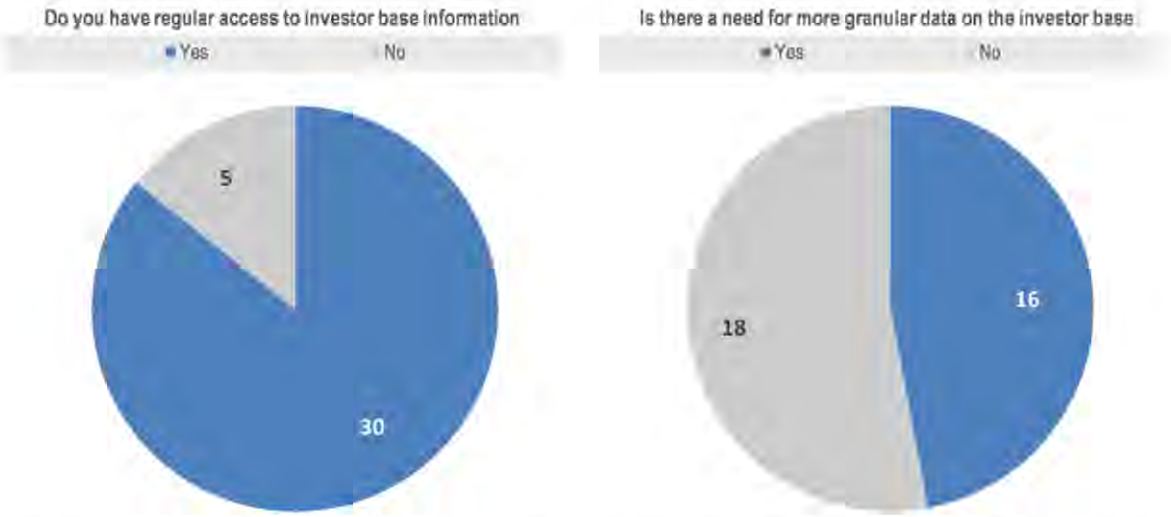
Investors demand transparency and clarity in debt management operations and plans. When investors understand better how and why decisions about changes in funding and debt management are made, uncertainty may be reduced, leading, in turn, to lower borrowing costs. On the subject of providing clarity to the market about future debt policies, sovereign issuers in favour of transparency and predictability in general since the long-run benefits of predictability outweigh the disadvantages (e.g. losing flexibility).

Accessing investor base information is a prerequisite for monitoring the investor base, information-based strategy-making, as well as for building and maintaining relations with current and potential investors. With this in mind, the next part of this chapter discusses debt management offices' (DMOs) access to quantitative and qualitative information on investor profile and preferences.

Access to investor base information

A majority of OECD area issuers have regular access to investor base information (Figure 2.2). Usually, the data is more granular for domestic investor groups than for foreign investors. Typically, holdings of primary dealers, domestic pension funds and insurance companies and national central banks are regularly collected, and other local financial institution holdings are calculated as a residual. On the other hand, non-resident investors are often broken down into three sub-sectors: central banks, banks and non-bank financial institutions. It means that the foreign non-bank category is composed of a wide range of investor groups including hedge funds, asset managers, insurance companies and pension funds from different regions. Clearly, each of these investor groups has significantly different investment mandates, which in turn lead to different trading behaviours.

Figure 2.2. DMOs access to investor base information



Source: 2018 Survey on primary market developments by the OECD Working Party on Debt Management.

Given the fact that the structure of the domestic and foreign investor base is an important element for the types of products offered by the issuer, many DMOs point to lack of detailed information. Specifically, 16 out of 34 respondents to the 2018 survey on primary market developments highlighted a need for more granular data on the investor base (Figure 2.2). During its 2018 annual meeting, members of the OECD Working Party on Debt Management (WPDM) elaborated on the availability of investor base information and the need for more granular data, particularly concerning the foreign investors category. Sovereign debt managers highlighted that more detailed information on the investor base would be desirable for answering a set of key questions including the following: i) is there a strong concentration or strong diversification of investor base?; ii) whom to sell a new security?; iii) whom to visit on road-shows?; iv) to what extent is the sovereign vulnerable to sudden investor outflows?; and v) how to structure

the issuance plan for the upcoming year?. It was also stressed that the aim is not to act like a regulator, but purely to allow informed issuance strategies and to assess longer-term trends.

For domestic investor base, registry information is the primary source of information with intermediaries (e.g. Primary dealers) providing a secondary source of information. It is a common practice amongst the OECD countries that primary dealers are often obliged to report on their trading activities, as well as on their observation of investor demand. In terms of coverage and period of such reporting, country experiences vary across the OECD area. In many countries, primary dealers prepare monthly reports on their activities, in addition to *ad hoc* research or surveys requested by the DMOs. Primary dealers in euro area report to DMOs within Harmonized Reporting Format (HRF). In a few cases (e.g. Ireland and the United Kingdom), DMOs receive primary dealers' position at the end of each business day, which reveals the relevant information such as PDs' appetite for different bonds, and for how long PDs keep bonds on their books following each auction.

The geographical diversification of the investor base over the last few decades led to an important shift in the holders of government securities from local CSD (central securities depository) to international CSDs. Sovereign debt managers often cite the IMF, ECB and BIS as the primary data source for foreign investor holdings. It should be noted that efforts to collect consistent and timely investor data by international institutions have increased in recent years. For example, the ECB introduced 'Security Holdings Statistics' in 2014, in response to the need for granular information on holdings of individual securities. In addition, the IMF's sovereign investor datasets for advanced economies and emerging markets are regarded as welcome developments. Despite the recent progress, sovereign issuers highlight incomplete coverage of holdings, delays in publishing and granularity of categories as the main shortcomings of existing data.

Current and potential changes in investor base

The survey results show that a large majority of DMOs have been observing structural changes in the investor base composition in recent years. Major trends draw on issuers' observations on investor demand across the OECD area presented in Table 2.1, as follows:

- *More changes observed in domestic investors demand*: The number of countries observing changes in domestic investor demand higher than those with changes in foreign investor demand.
- *Greater role of central banks and institutional investors:* In terms of central banks and institutional investors, the number of countries observing stronger demand from foreign and domestic markets is more than double those observing lower demand.

- *Higher demand from national central banks coincides with lower demand from domestic banks:* Many countries that reported higher demand from national central bank also observed lower demand from domestic banks.

Table 2.1. Observations of sovereign issuers on demand changes (by investor groups)

	Domestic investor demand				Foreign investor demand			
▲higher demand ▼lower demand ⇆ no change	**Banks**	**Central Banks**	**Institutional investors**	**Others**	**Banks**	**Central Banks**	**Institutional investors**	**Others**
Australia								
Austria								
Belgium								
Canada								
Chile					(▲) from foreign investors as a whole			
Czech Republic					(▼) from foreign investors as a whole			
Finland								
France								
Germany								
Greece								
Hungary					(▼) from foreign investors as a whole			
Iceland					(⇆) from foreign investors as a whole			
Israel								
Italy								

Japan			(▲) from foreign investors as a whole
Latvia			
Lithuania			
Mexico			
Netherlands			(▼) from foreign investors as a whole
New Zealand			
Norway			
Poland			
Portugal			
Slovak Republic			
Slovenia			
Spain			
Sweden	(▼) from domestic investors as a whole		(▼) from foreign investors as a whole
Switzerland		(▼) pension funds (▲) insurance (▲) investment funds	
Turkey			
United Kingdom			(▼) from foreign investors as a whole
United States			(⇆) from foreign investors as a whole

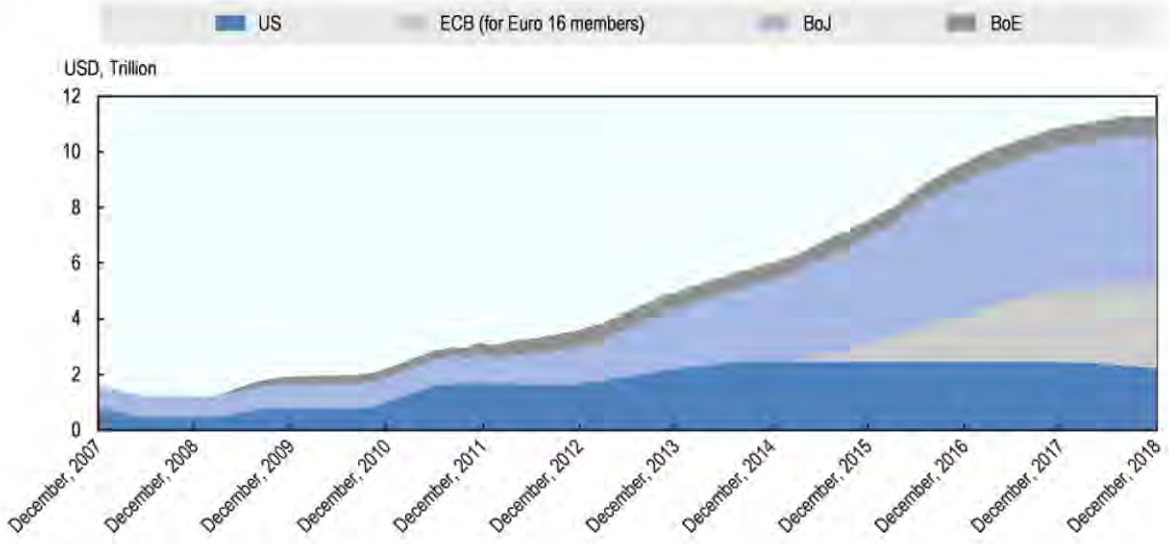
Country responses to the survey indicate that recent changes in investor demand are

largely attributable to low yields on government securities, monetary policy actions and post-crisis regulatory changes (Annex A). In addition, developments concerning sovereign credit ratings and cross-currency basis swaps between different markets are noted by a few countries as other factors affecting investor base changes. These developments have different implications for different investment groups. For example, central banks give priority to safety, liquidity and stable long-term holdings and are expected to be less sensitive to interest rate developments. Asset allocations of pension funds and life insurance companies, driven by features of their liability, are sensitive to changes in regulatory frameworks and demographic patterns. Hedge funds, on the other hand, have more freedom to pursue various investment strategies (e.g. relative-value arbitrage). The changing profile of the investor base is having a major impact on the functioning of sovereign debt markets. Moreover, the structure of the domestic and foreign investor base will determine, to a greater extent, the types of products offered by the issuer. Against this backdrop, impacts of various developments on major investor groups are elaborated in the following sections.

Greater role of domestic central banks in government bond markets

In several OECD countries, central bank demand for government securities has substantially increased as an operational consequence of the quantitative easing policy launched by major central banks. Today, government securities holdings of the ECB, BoE, BoJ and the Fed add up to USD 11 trillion (Figure 2.3). As a result, central banks in several countries have become one of the key domestic investors (40 % in Japan, above 20% in Austria, France, Germany and the UK).

Figure 2.3. Government security holdings of selected central banks



Note: Values have been aggregated by using fixed exchange rates, as of 1st December 2009.

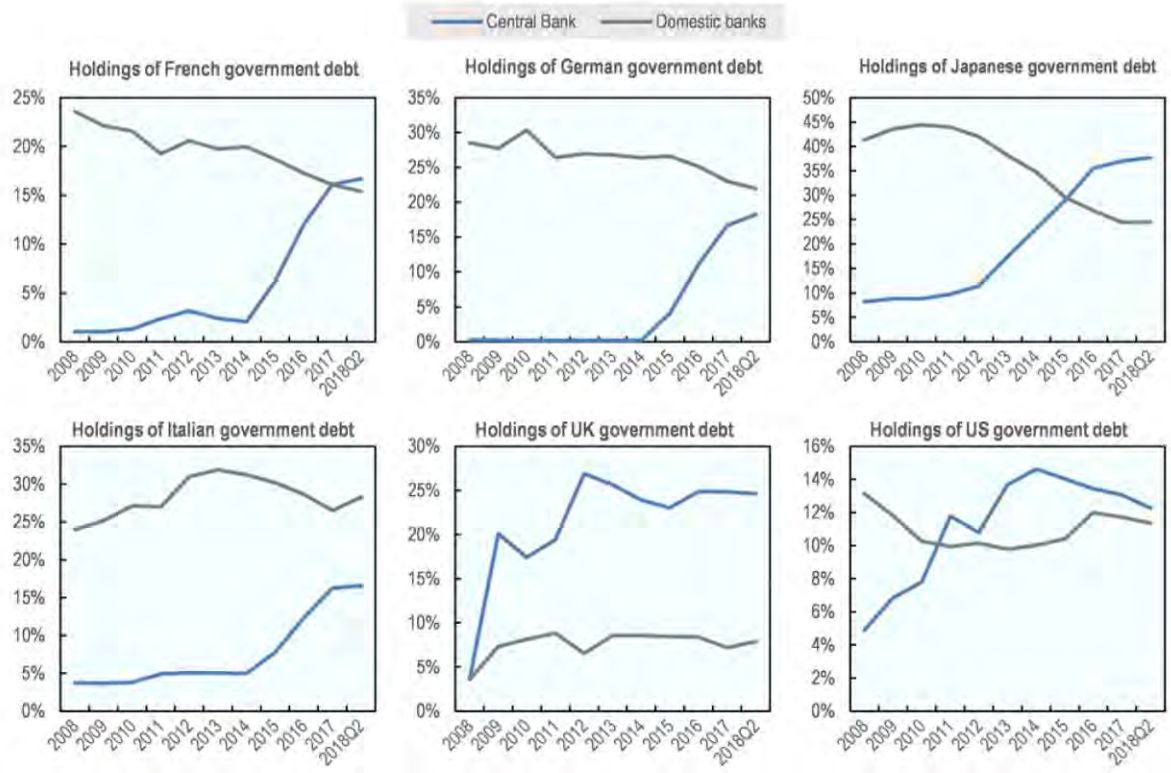
Source: ECB, central banks of Japan, United Kingdom and the United States.

Moreover, with the greater role of central banks in government bond markets, maintaining a diversified investor base has become more difficult than before. This huge demand coming from (domestic) central banks is raising questions about its impact on other major holders of government securities. In some cases, including France, Italy, the United Kingdom and the United States, supply of government debt has also increased in the post crisis period. In such cases, absolute holdings of existing investor groups did not have to change significantly. In contrast, countries with diminishing or limited borrowing needs have faced a challenge. For example, in Germany, the ECB has increased its share from 0 to close to 30%, while the amount of outstanding government bonds has changed only very slightly. For the countries with declining borrowing requirements, sustained central bank bond buying programmes result in "crowding out" other investor-groups – mainly foreign investors.

In some cases, higher demand from national central banks coincides with lower demand from domestic banks. In Japan, the share of banks decreased from over 40% in 2008 to 17% in 2018, while BoJ holdings moved from 8% to over 40% over the same period. In addition, the share of households in total debt declined from 4.4% in 2008 to 1.2% in 2018.

Against this background of substantial participation of central banks in government securities market, it can be argued that a shift from unconventional monetary policy may have important implications for investor bases in major OECD countries. In cases where balance sheet normalisation occurs in countries with a concentrated investor base, re-engaging with the traditional investor base is becoming more relevant.

Figure 2.4. Evolution of holdings of government debt: domestic banks versus national central banks



Note: Coverage of debt is general government. For French, German and Italian government debt the central bank is the ECB, for Japanese government debt the central bank is the BoJ, for the UK government debt the central bank is the BoE and for the US government debt the central bank is the Fed.

Source: Arslanalp and Tsuda (2014, updated)

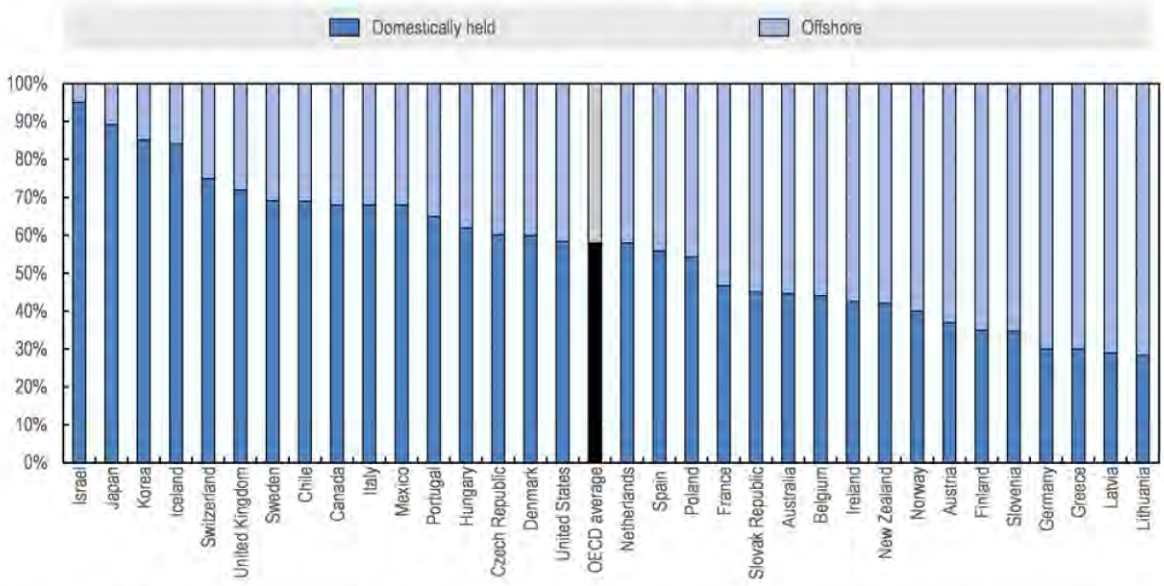
Given that government needs for new debt is substantial, sovereign DMOs should benefit from re-engaging with their traditional investor base, such as pension funds and insurance companies, and putting more emphasis on regional diversification. With rising yields, a higher demand from 'real money investors' and foreign investors in search of high-quality assets with positive yields could be anticipated. In particular, the move away from sub-zero yields will be welcomed by the investors with self-imposed investment constraints regarding nominal positive returns. This chapter looks at the evolving structure of the investor base, in addition to the role of investor base information in public debt management.

Changes in foreign investor demand: Tracking the details

The 2018 survey on primary market developments carried out by the OECD WPDM reveals that approximately 60% of government debt is held domestically, with substantial differences across countries (Figure 2.4). Government bonds are held predominantly by domestic investors in some countries (e.g. Israel, Japan, Korea,

Iceland and Chile). In contrast, foreign investors are the main holders of debt in another group of countries (e.g. Lithuania, Latvia and Germany). It should be noted that euro area countries have very high percentages of ownership within the euro area.

Figure 2.5. Percentage of bonds held domestically vs. offshore



Note: Where it is known, ECB's holdings from the PSPP is considered as domestic. OECD average is the median average.

Source: 2018 Survey on liquidity in secondary government bond markets by the OECD Working Party on Debt Management.

In terms of trading behaviour, domestic investors are typically very stable holders of own sovereign debt, as foreign investors are more sensitive to various risk factors (e.g. political and macroeconomic risks). For example, in Canada a sell-off by non-resident investors occurred mainly due to NAFTA negotiations and monetary policy normalisation. However, the overall impact on the market remained limited, since almost 70% of total debt is held by domestic investors (mostly pension funds, domestic banks and insurance companies).

The portion of bonds held by domestic banks is around 20% in some countries (e.g. Australia, Denmark and Italy). Domestic banks are typically stable holders of own sovereign debt with home-biased behaviour. However, an excessively large "home-bias" with a high level of government debt level increases the interdependence between the sovereign and local banks, which undermines domestic financial stability. Rating agencies incorporate this fact into their methodology when analysing sovereign risks. For example, Standard&Poors sees a risk factor if "a large share (typically more than 20%) of the resident banking sector's balance sheet is exposed to the government sector via loans, government securities, or other claims on the government or its closely held agencies, indicating a limited capacity of the national banking sector to lend more to the government, without possibly crowding out private sector borrowing".

Foreign investors are of great importance for developing or maintaining liquid local bond markets. In relatively small markets, high demand from non-residents may also have an impact on prices. Peiris (2010) studied 10 emerging markets and found that a 10% increase in the share of non-residents is associated with a 60 basis points lowering of government bond yields. One challenge is understanding the direction of the causality. For example, one might suspect that enhanced macroeconomic fundamentals along with expectations regarding a credit rating upgrade of a country might attract inflows of foreign investors and official reserve managers. Nevertheless, especially when foreigners are a very large share of the total investor base, proper attention needs to be paid to type of foreign investors and the associated risks (e.g. likelihood of a sudden investor outflow). In this regard, rating agencies also consider the share of non-resident as an assessment criterion. For example, Standard&Poors sees a risk factor if non-residents hold consistently more than 60% of government marketable debt.

There are several factors driving non-resident demand for government bonds, including upsurge in the official reserves, flight-to-quality phenomenon, and cross-currency movements. Official reserves held by monetary authorities increased fivefold over the period 2000–2010, reached USD 9.3 trillion in 2010 and gradually increased to USD 11.4 trillion in September 2018 (IMF, COFER database). Central bankers, having traditionally conservative investment strategies with prudential, monetary control and liquidity management purposes, invest in reserve currency bonds. In terms of currency composition, the concentration of foreign reserve holdings in USD assets remains significant. Over the recent decades, while the share of USD holdings declined gradually, the shares of other currency holdings including euro, Chinese renminbi and pounds sterling have increased. Research suggests that concerns regarding the fundamental weakness of a currency and rating downgrades prompted key changes to the asset allocation of reserve managers (Morahan and Mulder, 2013).

In the post-crisis environment, demand by non-residents for safe assets picked up despite low yields, reflecting a flight-to-quality phenomenon. Most notably, U.S. Treasuries benefit from flight-to-quality and flight-to-liquidity episodes and attract substantial foreign flows during episodes of increased market turbulence and investor risk aversion. For example, according to Securities Industry and Financial Markets Association (SIFMA) data, share of foreign and international investors group in the US Treasuries, surged from around 40% in 2007 to 44% in 2012. In recent years, the ratio has gradually declined to 36% in 2018.

Non-resident investors are not homogeneous and different investor types may have different effects on the underlying market. According to research based on the historical relationship between changes in investor holdings of sovereign debt and sovereign bond yields, the most variable investor type is foreign non-banks, followed by foreign banks, foreign central banks, domestic non-banks, domestic banks, and the domestic central bank (Arslanalp and Tsuda, 2012). However, investor base studies should be assessed with caution due to insufficient granularity of investor groups. As discussed in a previous section, the 'foreign non-banks' heading covers a wide range of investment

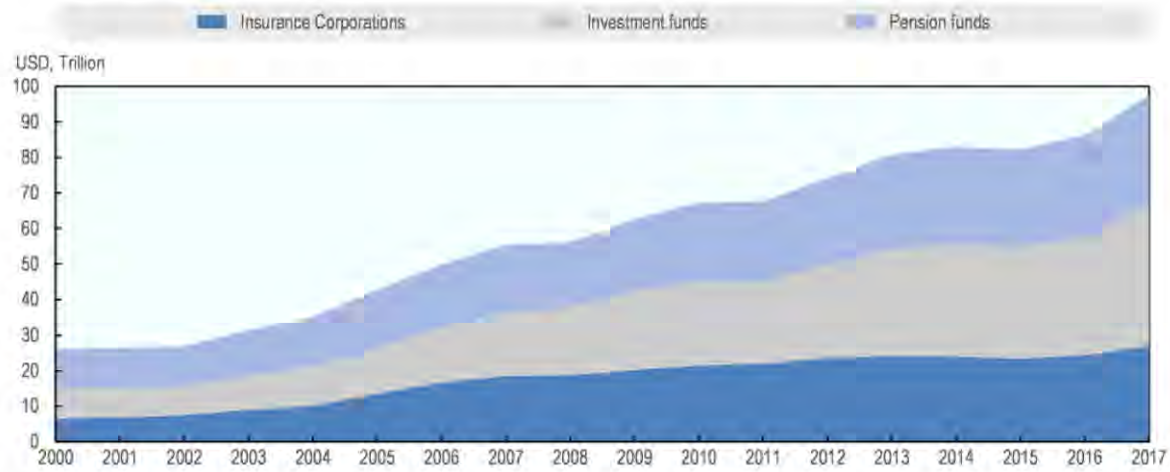
strategies such as hedge funds, asset managers, insurance and pension funds. Understanding the various data-sets related to foreign participation in government securities markets is important for conducting accurate analysis and interpretation of the data.

In some advanced economies, while overall holdings of foreign investors have not changed significantly, types of foreign investors have changed in the post-crisis period. During the 2018 annual meeting of the OECD Working Party on Debt management, several debt managers provided anecdotal evidence of increased foreign investors' activity largely driven by hedge funds in local government securities markets, in particular the T-bill market. For example, foreign investors' share in T-bill markets reached 60% in Japan and 64% in Italy in 2018. Widening cross-currency swaps and quantitative easing environment might be among the factors that explain increased activities of foreign investors, including hedge funds. Ireland, a small issuer that was recently upgraded to investment grade, is highly dependent on foreign investors. Anecdotes indicate that increasing hedge funds activities in Ireland has improved market liquidity in bond markets. However, the lack of more granular investor base data is limiting the analytical test of impact of changes in types of foreign investors demand for different segments of government bond markets. Currently, the majority of the sovereign debt managers, mainly rely on anecdotes, require more granular investor base data in order to better monitor investors' behaviour and make better assessments. That said, data availability issues create a natural barrier for further analysis.

Factors affecting demand from pension funds and insurance companies

During the last two decades, most OECD countries experienced a dramatic increase in institutional investors. Figure 2.6 illustrates the trend in total assets managed by institutional investors such as pension funds and insurance companies in the OECD area.

Figure 2.6. Assets under management by traditional investors in the OECD



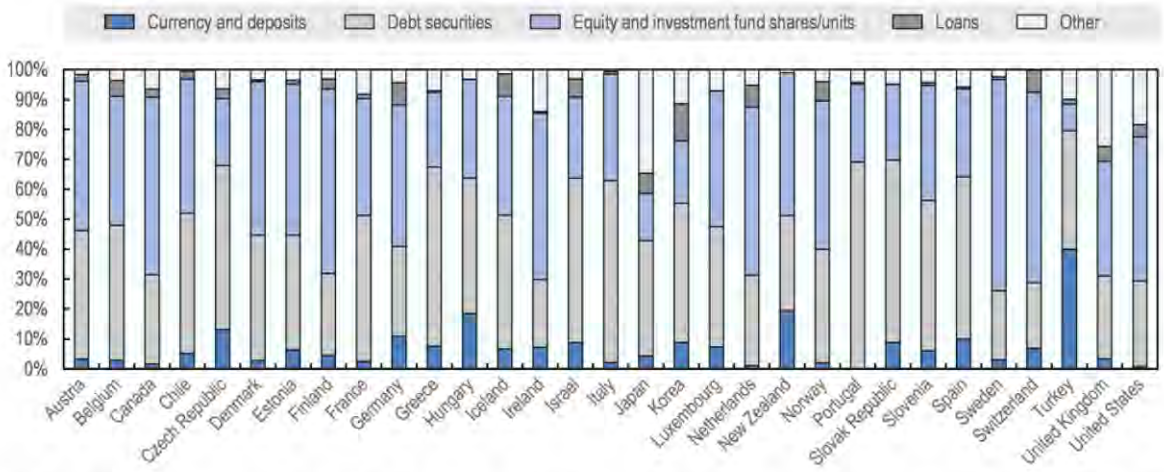
Note: All OECD area, excluding Australia, Lithuania, and Mexico.

Source: OECD National Accounts.

Institutional investors, particularly pension funds and insurance companies are buy-and-hold, stable investors given their investment strategy. Pension funds and life insurance companies, reflecting the length of their financial liabilities, tend to have long-term investment horizons and prefer high quality long-dated indexed and fixed debt. Thus, typical investors for long-term bonds in government securities markets are pension funds and life insurance companies. Figure 2.7 shows that 'debt securities' account for over 40% of total assets of institutional investors. It should be noted that 'debt securities' include debt issued by general government as well as financial corporations and non-financial corporations.

More specifically, the share of government debt holdings of domestic pension funds and insurance companies reach substantial levels in some countries. For example, in the United Kingdom, domestic pension funds have dominated the gilt markets since the mid-1990s (currently around 30%). In the US, pension funds, the second largest investor group of US Treasuries following the foreign and international investors, hold about 15% total marketable debt. Similarly, domestic insurance companies in France held around 19% of government debt as of 2018.

Figure 2.7. Asset allocation by traditional institutional investors in OECD countries



Note: Other includes the following financial assets; Insurance pension and standardised guarantees, Financial derivatives and employee stock options, and Other accounts receivable.

Source: OECD National Accounts.

Changes in pension systems, regulatory frameworks and demographic profiles are the main factors that determine the growth of pension funds as well as their investment strategy. For example, changes in pensions systems from defined benefits to defined contributions have an impact on portfolio investment strategies. In the United Kingdom, where the existing stock of pensions is predominantly based on a defined benefit (DB) system, demand for long-dated bonds is strong, as it is for inflation-linked bonds – since the liabilities are also linked to changes in inflation. On the contrary, in the United States, a rapid shift to defined contribution retirement plans suggests limited demand for ultra-long bonds.

Regulations (e.g. rules concerning underfunded pension plans and early retirement) also have an impact on asset allocation of pension funds. In the United Kingdom, the Pensions Act of 2004 instituted fines for underfunded pension plans, providing strong incentives to buy more long-term government bonds. Greenwood and Vayanos (2009) shows that long-term government bond yields decreased following regulatory changes that induce pension funds to hold longer-term assets.

Demographic patterns, largely driven by fertility and mortality rates, have consequences for the growth of pension funds and insurance companies, which in turn affect their demand for government securities. Developments in insurance contracts significantly affect the companies' investment and the amount of interest-rate risk that they bear. The maturity of liabilities is affected by a range of factors such as the composition of insurance products, the mortality rate, and the surrender rate. For example, life insurance companies in Japan are major investors in super long-term Japanese government bonds (Debt Management Report MoF of Japan, 2018). In Japan, empirical studies suggest that the average life expectancy has been on an uptrend, which

in turn contributed to the lengthening of the maturity of overall liabilities. In this regard, future demographic changes may shorten the maturity of liabilities, and therefore demand for super-long-term JGBs from life insurance companies is likely to change accordingly (Bank of Japan review, 213).

Lastly, the prolonged low interest-rate environment in several OECD countries poses a significant challenge for pension funds and insurance companies, which promise a minimum return to their customers. Some of institutional investors have restrictions on buying government bonds with negative yields. In markets where government securities have negative yields, pension funds and other institutional investors become less active or invest more in the long-end of the yield curve. In Japan, life insurance companies replaced shorter-term bonds with super long-term bonds with positive yields. In Germany, life assurance companies selling many insurance contracts with guaranteed yields of 3 to 4 per cent, have gradually reduced their purchases of new issuances of German government securities to diversify into other issuers or asset classes since the 2010s. Against this backdrop, one should expect conventional investors such as pension funds and insurance companies to demand more government securities when the yields rise.

Given the direct impact of credit ratings on institutional investors' portfolios, along with bank capital requirements and pension fund investment restrictions, a downgrade can generate a portfolio shift, which can significantly affect bond yields. An OECD survey of investment regulation of pension funds revealed that a majority of the respondent countries indicate credit rating restrictions cornering investments in debt securities. Sovereign credit quality in the OECD area stands at high levels and provides high quality liquid bonds, albeit a considerable deterioration has been experienced during the last decade (Box 2.1).

Implications of changes in investor demand for issuance strategies

The diversification of funding sources reduces the reliance on any one group of investors and reduces the risk that unfavourable conditions in one market segment becomes costly to the government (OECD, 2002). While, investor base of a government debt portfolio is predominantly a result of markets forces, using a variety of instruments (nominal bonds, real return bonds, Treasury bills, foreign-currency instruments and retail products) and a range of maturities can be used for building a broad investor base as well as reaching out to new investor groups. In particular, countries with substantial borrowing requirements (e.g. the US) need to increase attractiveness of government securities to foreign and domestic investor groups. Issuing a new product or adjusting an existing product might generate additional demand from available domestic and international savings pools.

Box 2.1. Trends in credit quality of sovereign bonds

From an investor's perspective, the credibility of a government's macroeconomic

framework; the integrity of state institutions; the political environment and the country's economic growth prospects are the main determinants of bond valuations. In practice, these elements are allegedly captured in sovereign credit ratings.

Credit ratings of many countries have steadily shifted down since the GFC, albeit a recent improvement. To better quantify and assess the credit quality of sovereign bond issuance, an index covering 10-year bond issuance by OECD governments over the period 2008-2018 has been constructed. The results reveal a clear deterioration in sovereign bond credit quality in the OECD area for the designated time period. The trend is clearly driven by the G7 and euro area country groupings which can be explained by the sustained rise in borrowing needs in most of these countries.

Figure 2.8. Evolution of sovereign debt credit quality, credit ratings weighted by amounts issued, 2008-2018

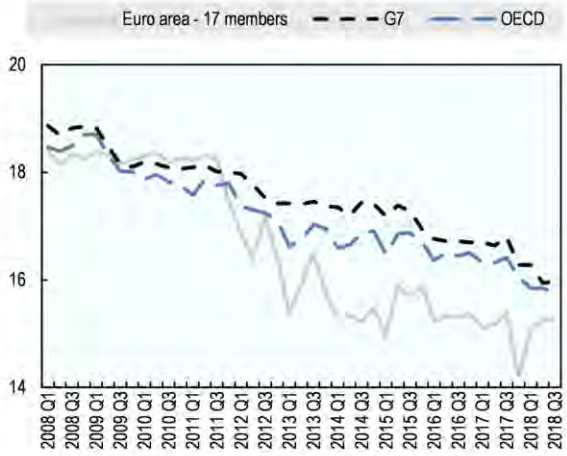
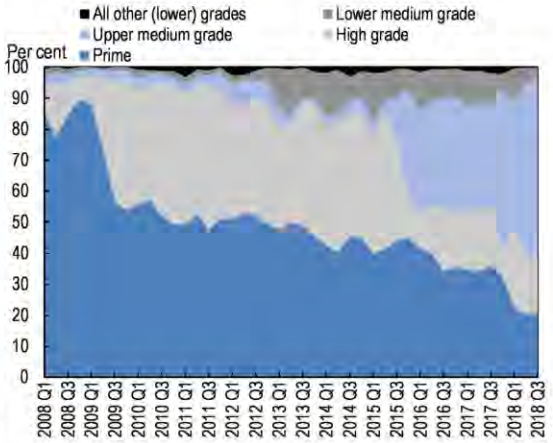


Figure 2.9. Distribution of sovereign bond issuance among rating categories, as a percentage of total, 2008-2018



Notes: Weighted average (by amounts issued) and based on the maximum issuance rating from three rating agencies: Fitch, Moody's and Standard and Poor's. Influenced by the methodology used in the "corporate bond quality index" (OECD, 2017), each issuance is assigned a value ranging from 1 for the lowest credit quality rating and 19 for the highest.

Source: Refinitiv and author calculations. See Annex 1.A1 of the 2018 SBO for the methodology.

The distribution of sovereign bond issuance among rating categories indicates two significant shifts during the past decade: The first move was from 'Prime' category to 'High grade' category during the initial years of the GFC, the second was from 'High grade' down to 'Upper medium grade' category. Overall, the share of A-rated bonds in total 10-year bond issuance in the OECD area has decreased gradually from above 95% in 2008 to 90% in 2017. Since 2017, upper medium category further increased in expense to lower medium grade category, largely due to recent upgrades in sovereign ratings in some euro area countries (i.e. credit rating of Greece, Iceland, Portugal and Spain have been upgraded in recent years).

Source: OECD Sovereign Borrowing Outlook 2018 (updated)

The structure of the domestic and foreign investor base largely determines the types of products offered by the issuer. For instance, an issuer may not be able to sell longer-term – in particular ultra-long term – maturities in the market, in the absence of continued and substantial demand for that particular maturity. On the other hand, observing a robust and viable investor demand for a new instrument encourages issuers. Given the strong investor demand for floating-rate and inflation-linked securities, these instruments have become part of regular issuance choices over the past few decades. In countries where high and volatile inflation rates prevailed for a prolonged period, local investors, particularly insurance companies and pension funds, tend to give greater priority to protecting the future real value of savings. This generates a strong appetite for inflation-linked securities (OECD, 2017). In fact, an increasing number of EMs (e.g. Chile, Mexico and Turkey) have introduced inflation-linked bonds to eliminate the risk of inflation uncertainty over the total return on investment. Another example comes from the UK, where strong demand from the pension funds for the long-dated Gilts have impact of debt strategies. As discussed in Chapter 1, a high presence of pension funds is the main reason explaining the high weighted average maturity of outstanding debt in the UK (i.e. the weighted average maturity of outstanding debt was 17.5 years in 2018 in the UK, the highest in the OECD area). Similarly, as environmentally conscious investing is growing quite rapidly today, sovereign green bond issuance, though still at an embryonic stage, has risen steadily in recent years.

In addition, sovereign issuers consider investors feedback when designing securities to attract various types of investors. Several OECD countries have a retail-targeted debt instrument (e.g. France, Italy, Spain and Turkey). Also, they tailor products to investor needs within an appropriate risk management framework. For example, investor base and preference have an influence on a reference index choice of inflation-indexed debt. France and Italy issue bonds, which are linked to the national consumer price index excluding tobacco, as well as bonds that are linked to the Eurozone harmonised index of consumer prices excluding tobacco (HICP ex-tobacco). Another example is the floating rate notes (FRNs) issued by the United States Treasury in 2014. The Treasury introduced the FRNs in a way to offer investors a hedge against rising rates by offering an interest rate tied to the most recent 13-week T-bill auction, while extending the maturity of debt.

Auction systems and bidding procedures are, in some cases, adapted to allow involvement of wider investor groups. For example, direct bidding may be a useful system to broaden investor base, as it reduces or eliminates intermediary costs (SBO, 2013). In the United States, direct bidding to the Treasury auction is made possible for individuals as well as other investor groups through the Treasury Automated Auction Processing Systems (TAAPS). Similarly, some countries facilitate bond-purchasing

process via online applications. This is the case in Austria, where an online retail saving product (i.e. bundesschatz.at) launched by the Austrian Treasury in 2002, offers a secure and free of charge alternative to savings accounts.

Considerations of investor relations and communication practices

Two-way communication between sovereign issuers and investors is essential to establish and maintain an efficient government securities market at all times. The continued funding challenges discussed in Chapter 1 have recently led to a situation where a broad and diverse investor base is more essential than before. This means that it is more important to take into account the preferences of both foreign and domestic investors when making changes to issuance procedures and introducing new instruments. In this regard, most countries mention that they give a higher priority to maintaining good investor relationships not only with current investors but also with potential investors.

Investor relations (IR), a strategic communication function, has become a standard part of work programmes of sovereign debt management offices across the OECD countries since the 1990s. Sovereign issuers have adjusted their IR practices according to evolving market conditions, particularly in response to changes in investor bases and their preferences (Box 2.2).

Box 2.2. Investor relation practices in the OECD area

The investor relation (IR) activities facilitate two-way communication between investors and issuers on a wide range of issues from a government funding needs and strategies to macroeconomic targets. In the OECD area, objectives of IR activities include the following themes:

- to develop and maintain a wide and diversified investor base;
- to reduce uncertainty and promote transparency;
- to provide investors with the information they need on a timely basis including changes in debt management strategies;
- to ensure awareness of fiscal, economic and debt management policies and developments;
- to promote awareness of government securities and facilitate access;
- to gauge investor appetite, grasp investment trends and obtain feedback on investor needs.

In terms of the IR strategy, target key investor groups include insurance companies, pension funds, institutional asset managers and primary market distributors.

Interaction with primary dealers is considered as one of the most useful activities related to communicating debt management information and for receiving input into the decision making process.

In the majority of the OECD countries, the IR activities are executed as an integrated function of debt offices, and some OECD countries (e.g. Australia, Mexico and Turkey) have an investor relations office with a discrete group dedicated to IR activities (Dooner, M. and D. McAlister 2013).

When providing information to stakeholders, they adapt information based on the stakeholder and tailor presentations depending on how well-informed the stakeholder is. In terms of communication methods, DMOs organize regular and ad-hoc face-to-face meetings with investors as well as overseas roadshows. Technological advances changed the communication methods, as issuers can communicate directly and is less costly with a larger investment community through social media, video conferences and web-based communications. DMOs attach great importance to dissemination of information that all current and potential buyers of government securities are provided simultaneously with the same information, and that dealers and investors are treated fairly and equally.

In the aftermath of the global financial crisis, sovereign issuers fortified their investor relation activities due to an increased need for on-going co-operation with domestic and international investors (Dooner M. and D. McAlister, 2013). For instance, some countries made their first ever roadshows to Asian countries in order to diversify their investment base. Some countries established an investor relations office with a discrete group dedicated to IR activities. This is the case, for example in Australia, where a dedicated IR unit was established in 2009 with the purpose of stimulating immediate demand from investors in the face of rapidly growing issuance programs. The Ministry of Finance of Japan established the Office of Debt Management and JGB Investor Relations at the Debt Management Policy Division of the Financial Bureau in July 2014.

In recent years, environmental, social, and governance (ESG) factors have become increasingly relevant for a number of institutional investors. This has implications for sovereign creditworthiness and ultimately for bond prices. In this respect, credit rating agencies have taken steps to incorporate ESG factors into country risk assessments. This, in turn, encourages sovereign issuers to integrate ESG approaches in their communication strategy. The Finnish State Treasury, for example, presented the government's initiatives and actions to promote sustainable development in its annual debt management report.

For countries with highly concentrated debt holdings composition, the challenge is to diversify the investor base in order to be prepared for a potential structural change in the ownership of government securities. In this regard, there is a need for re-engaging with their traditional investor base, such as pension funds and insurance companies, and put emphasis on regional diversification.

In cases, where monetary policy normalisation coincides with rising or high borrowing requirements, the need to expand the investor base is more crucial. Issuing a new product or adjusting an existing product can be considered for generating additional demand from untapped savings pools. In this regard, consultation with market participants is key to assess investor appetite for a new instrument, or to design an appealing product for a specific group of investor.

As discussed in Chapter 1, some of the OECD countries have been experiencing shrinking budget deficits or budget surpluses in recent years, which leads to a concomitant decline in government financing needs. In that case, the challenge for sovereign issuers is to maintain a liquid market for government securities with a limited security offering. DMOs, facing such a situation, focus on issuing a limited number of benchmark bonds along the yield curve. Sovereign debt managers, in consultation with investors, may consider various policy options associated with their primary and secondary market activities to promote secondary market liquidity. These include, but not limited to, the use of buy-back and switch operations to enhance the volume of benchmark bonds, modifications in primary dealership systems and security lending facilities to help market participants to continuously quote prices and avoid delivery failures.

Declining stocks of government securities might raise concerns about the benchmark status of government bonds. Then, it is necessary to address investors' concerns about maintenance of government debt supply and provide clarity about a government's commitment for a liquid and efficient government securities market. In New Zealand, where strong and persistent fiscal position led such concerns, the New Zealand DMO assessed that the investors need to be reassured about a minimum level of borrowing amounts irrespective of fiscal outlook. In response, based on the DMO's proposal the government committed to "maintain levels of New Zealand government bonds on issue at not less than 20 per cent of GDP over time" regardless of the fiscal outcome in 2017.

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Notes

Early examples of government bonds were used to fund military operations and other expenditure in times of wars. For example, the Bank of England issued the first government bond in 17th century to raise money to fund a war against France. Following that, governments in other European countries, Canada and the US sold bonds for war financing.

The widespread adoption of new technologies in finance, such as the proliferation of electronic trading venues, high-frequency trading and robo-advisors, has changed traditional registration, clearing, settlement, payments, reporting and monitoring operations, as well as investment management services (OECD 2018a).

Today, there are examples of governments (e.g. New Zealand and Singapore) with strong fiscal fundamentals, which do not use debt to finance their expenditure, instead, bonds and Treasury bills (T-bills) are issued to support investors in need of safe assets.

The size of pension fund assets has reached 105.5% of GDP in the UK in 2017 (OECD 2018b). As of September 2017, the three largest investor groups in the UK Gilt markets

were insurance companies and pension funds (31%), overseas investors (28%), and the Bank of England's Asset Purchase Facility (25%) (HM Treasury, 2018).

As of September 2018, life and non-life insurance companies hold 20% of outstanding Japanese Government bonds (Ministry of Finance of Japan, 2018).

The IMF's Currency Composition of Official Foreign Exchange Reserves (COFER) and Coordinated Portfolio Investment Survey (CPIS), ECB's Securities Holdings Statistics (SHS), and Bank for International Settlements (BIS) International Banking Statistics are among the datasets provide investor base information.

The IMF Currency Composition of Official Foreign Exchange Reserves (COFER) database indicates a gradual change in the currency composition of foreign reserves since 2000, with the share of USD holdings, at a global level, at its peak with 71.1% in 2000. Since then, the share of USD holdings has declined, standing at 62% in September 2018. The share of euro holdings increased from 18.3% to 20.5% within the same period.

This is because the share of new policyholders has been declining in accordance with the decrease in the number of young people, while the share of the existing policyholders has been increasing.

Prolonged low interest rates and falling inflation rates pose serious challenges to insurance and pension systems and, in particular, to defined benefit pension funds and life insurance companies offering long-term financial promises (OECD, 2016).

Australia had maintained budget surpluses for several years prior to the Global Financial Crisis. Following the events of 2008, the Australian Office of Financial Management went from issuing bonds in order to maintain a certain level of market liquidity aimed at supporting the futures contracts, to a regime of significantly larger funding programs aimed at funding the budget deficit. In this regard, investor relation activities included active engagement with new and existing institutional investors where they were introduced to, educated on and updated about topics such as the Australian economy, the Government's fiscal and debt positions as wells as the issuance strategy.

Annex 115

UNICEF, "Humanitarian Action for Children in Yemen", 2020

Humanitarian Action for Children

unicef

Yemen

Nearly five years after the start of the conflict, Yemen remains the largest emergency globally, with 24 million people out of the population of 30.5 million in need of humanitarian assistance.[1] The conflict has left 3.6 million people, including 2 million children, internally displaced, and at least 500,000 public sector workers have been without salaries for three years.[2] Humanitarian access to vulnerable populations remains severely constrained. Since August 2019, a new conflict in southern Yemen has led to rising food insecurity, poor sanitation and lack of safe water. The water supply and sanitation systems have been severely affected by the conflict. An estimated 12.6 million people are in acute need of water, sanitation and hygiene (WASH) services and more than 17.8 million people require WASH assistance in general.[3] Immunization coverage has stagnated at the national level, resulting in outbreaks of measles, diphtheria and other vaccine-preventable diseases, and leaving the population vulnerable to polio. Thirty-seven per cent of children under 1 year are not fully vaccinated and therefore at higher risk of vaccine-preventable diseases.[4] More than 687,000 suspected cases of acute watery diarrhoea/cholera and 898 associated deaths were recorded in the first nine months of 2019.[5] Children are bearing the brunt of the conflict: 2,000 children have been killed and 4,800 have been maimed since the conflict began; 2,700 boys have been recruited into armed forces and groups; and over 368,000 children under 5 years[6] are suffering from severe acute malnutrition (SAM). The damage and closure of schools and hospitals are threatening children's access to education and health services, rendering them vulnerable to serious protection concerns. At least 2 million children in Yemen are out of school.[7] While an estimated 46 per cent of girls and 54 per cent of boys are enrolled in school, secondary-level girls are more likely to drop out due to security issues, lack of female teachers and the lack of appropriate WASH facilities.[8]

Humanitarian strategy

UNICEF's humanitarian strategy in Yemen is aligned with the Humanitarian Needs Overview, Humanitarian Response Plan and cluster and programme priorities. UNICEF leads the nutrition and WASH clusters, co-leads the education cluster and the child protection sub-cluster, and provides dedicated full-time support to coordination and information management. Humanitarian operations in Yemen are decentralized through five field offices that manage local responses with partners. In 2020, health efforts will focus on strengthening systems, improving access to primary health care, as well as malnutrition management and disease outbreak response, including maintaining vaccination coverage. Emergency WASH interventions will be delivered alongside durable, cost-effective solutions that strengthen the resilience of local institutions and communities. Acute watery diarrhoea/cholera prevention and response – including oral cholera vaccination – will continue in high-risk areas. Vulnerable women and children will receive survivor assistance, resilience building and mine risk education. UNICEF will rehabilitate damaged schools, establish temporary learning spaces, provide learning kits and support school-based staff incentives. The Task Force on Monitoring and Reporting will engage with parties to the conflict to prevent and halt grave violations of children's rights. UNICEF will pursue gender-sensitive planning and provide partners with training on preventing sexual exploitation and abuse. Given the widening gender disparities and lack of equal access for women and men to economic and social opportunities – both of which are tied to the security and economic situations – in 2020, UNICEF will use a cross-sectoral approach to leverage its existing programmes to mitigate, prevent and respond to gender-based violence. Poor and marginalized children and families will receive integrated social protection services. Working with partners, UNICEF will deliver life-saving supplies to areas impacted by armed violence through the inter-agency Rapid Response Mechanism.

Results from 2019

As of 31 August 2019, UNICEF had US$385 million available against the US$536 million appeal (72 per cent funded).[9] UNICEF responded to urgent needs in Yemen through multi-sectoral interventions, while working to prevent the collapse of national systems.[10] Results were achieved despite an extremely complex environment characterized by access constraints across the country, non-availability of supplies locally and lack of fuel and local currency, among other challenges. To address these issues, UNICEF employed high-level sustained advocacy with relevant authorities, accessed its global supply chains and established a long-term agreement with the World Food Programme (WFP) for fuel support. Despite the challenges, UNICEF and partners reached some 5.4 million people with safe drinking water, 16 million people in cholera-prone areas benefited from water

Total people in need
24 million[13]
Total children (<18) in need
12.24 million[14]
Total people to be reached
11.3 million[15]
Total children to be reached
8 million[16]

2020[17] programme targets

Nutrition
- 331,000 children aged 6 to 59 months affected by SAM admitted for treatment[18]
- 4,400,000 children under 5 years given micronutrient interventions, including vitamin A

Health
- 5,500,000 children under 5 years vaccinated against polio
- 1,700,000 children under 5 years receiving primary health care in UNICEF-supported facilities
- 700,000 children under 1 year vaccinated against measles (measles-containing vaccine) through routine immunization

WASH
- 6,800,000 people accessing a sufficient quantity of safe water for drinking, cooking and personal hygiene[19]
- 5,000,000 people provided with standard hygiene kits

Child protection
- 2,000,000 children and community members reached with life-saving mine risk education messages
- 874,000 children and caregivers accessing mental health and psychosocial support[20]
- 200,000 children and women accessing gender-based violence response interventions

Education
- 1,000,000 children provided with individual learning materials
- 820,000 children accessing formal and non-formal education, including early learning
- 135,000 teachers receiving teacher incentives each month

Social policy
- 85,000 marginalized/excluded people benefiting from emergency and longer-term social and economic assistance (through case management)

Communication for development
- 6,000,000 people reached with key life-saving/behaviour change messages through communication for development interpersonal communication interventions

Rapid Response Mechanism
- 1,300,000 vulnerable displaced people who received Rapid Response Mechanism kits
- 135,000 vulnerable persons supported with multipurpose cash assistance

treatment and 6 million people received health information. UNICEF kept over 3,700 health facilities functional, reaching some 730,000 pregnant and lactating women with primary health care services, including the minimum service package. Over 11.8 million children aged 6 months to 15 years received measles and rubella vaccination. By the end of August, nearly 200,000 children had received SAM treatment.[11] Through the Monitoring and Reporting Mechanism, UNICEF verified 80 per cent of all protection cases. Nearly 400,000 children received psychosocial support and 1.6 million people were trained in mine risk awareness. Through three cycles of teacher incentives, UNICEF reached over 128,000 school staff during the 2018/19 school year. Several planned targets were not reached due to funding shortages, operational constraints and the changing needs on the ground.[12] The national polio campaign targeting over 5 million children is yet to take place. Planned targets for social policy were not reached due to the delayed pilot implementation and expansion was not feasible for 2019. The Rapid Response Mechanism results are lower than planned due to the limited number of people in Yemen returning to their areas of origin.

	Sector 2019 targets	Sector total results	UNICEF 2019 targets	UNICEF total results
NUTRITION				
Children aged 0 to 59 months with SAM admitted to therapeutic care	321,750	193,638	321,750	193,638
Caregivers of children aged 0 to 23 months with access to infant and young child feeding counselling for appropriate feeding	1,682,336	1,557,511	1,514,102	1,557,511[i]
Children under 5 years given micronutrient interventions (multiple micronutrient powder)	2,860,031	950,363	2,860,031	950,363
Children under 5 years given micronutrient interventions, including vitamin A	4,290,047	64,847	4,290,047	64,847[ii]
HEALTH				
Children under 1 year vaccinated against measles (measles-containing vaccine 1) through routine immunization			941,842	328,950[iii]
Children aged 6 months to 15 years vaccinated in measles and rubella campaigns			13,032,803	11,837,521
Children under 5 years vaccinated against polio			5,352,000	387,492
Children under 5 years receiving primary health care			1,575,000	1,259,277
Pregnant and lactating women receiving primary health care			841,097	730,115
WATER, SANITATION AND HYGIENE				
People with access to drinking water through support to the operation/maintenance of public water systems	7,288,599	6,043,322	6,000,000	5,478,952
People with access to emergency safe water supply	1,703,359	934,830	1,000,000	631,171[iv]
People with access to adequate sanitation (through emergency latrine construction or rehabilitation)	1,223,908	581,566	800,000	472,442
People provided with the standard hygiene kit (basic)	2,322,981	446,785	800,000	203,952[v]
People provided with the standard hygiene kit (consumables)	5,332,045	5,103,444	4,000,000	4,977,860[vi]
People living in cholera high-risk areas with access to household level water treatment and disinfection	4,202,324	16,371,652	3,500,000	16,133,834[vii]
CHILD PROTECTION				
Percentage of Monitoring and Reporting incidents verified and documented out of all reported incidents	90%	80%	90%	80%
Children and caregivers in conflict-affected areas receiving psychosocial support	882,268	442,641	794,825	394,956
Children and community members reached with life-saving mine risk education messages	1,684,106	1,645,659	1,365,128	1,634,516[viii]
Children reached with critical child protection services, including case management and victim assistance	12,932	10,520	10,345	10,056
UNICEF staff and implementing partners trained on prevention of sexual exploitation and abuse			500	701[ix]
EDUCATION				
Affected children provided with access to education via improved school environments and alternative learning opportunities	891,352	667,447	816,566	216,464[x]
Affected children receiving psychosocial support services and peacebuilding education in schools	1,794,689	321,606	170,000	33,524[xi]
Affected children supported with basic learning supplies, including school bag kits	1,500,000	110,041	996,994	15,251[xii]
Teachers/staff in schools (in a total of 10,331 schools) who received incentives each month	135,359	127,157	135,359	127,157[xiii]
SOCIAL POLICY				
Marginalized/excluded people benefiting from emergency and longer-term social and economic assistance (through case management)			175,000	89,094[xiv]
RAPID RESPONSE MECHANISM				
Vulnerable displaced people receiving Rapid Response Mechanism kits within 72 hours of the trigger for response			2,000,000	1,072,807

Vulnerable persons supported with multipurpose cash transfers			350,000	112,283[xv]
COMMUNICATION FOR DEVELOPMENT				
Affected people reached through communication for development integrated efforts in outbreak response and campaigns			6,000,000	6,056,832[xvi]
Community mobilizers/volunteers with skills to engage communities to adopt positive social and behaviour change practices			5,000	3,720

[x] *Results are as of 31 August 2019 unless otherwise noted.*

[i] *Overachievement is attributed to the scale up of infant and young child feeding interventions at health facilities and at the community level. There is a slight possibility of double counting between different delivery platforms where mothers are receiving this service in two locations. UNICEF is improving the reporting tools to minimize double counting for this and the screening indicator.*
[ii] *Vitamin A supplementation will be implemented jointly with national polio campaigns; the first polio campaign is yet to take place.*
[iii] *The communication of results was delayed; the cumulative result is expected to be higher by the end of the year.*
[iv] *In 2019, WASH focused more on providing safe water through connection of public networks and less on emergency water supply.*
[v] *This result is low due to lower than anticipated internally displaced person needs.*
[vi] *In 2019, there were a higher number of suspected cholera cases in the first half of the year than in previous years. Rapid response teams scaled up their response to deliver consumable hygiene kits to stem transmissions, which led to overachievement.*
[vii] *This result was overachieved due an increasing number of suspected cholera cases reported throughout the country. The cost was covered through savings from other interventions, particularly sanitation. These results are part of a service package delivered by rapid response teams for reaching each suspected cholera case in real time.*
[viii] *UNICEF reached more students and community members with mine risk education messages than targeted, at a lower cost. Furthermore, due to the conflict in Al Hudaydah and Hajjah, as well as displacement in Abyan and Al Dhale'e, UNICEF scaled up the mine risk education intervention.*
[ix] *This result was overachieved because more staff members and partners engaged in the training than initially planned.*
[x] *This result was underachieved because the process of identification and technical assessment of affected schools has taken longer than expected. In addition, some targeted schools are part of a suspended grant, which is pending donor approval for reprogramming.*
[xi] *Low achievement is due to restrictions on implementation to areas controlled by the internationally-recognized government, as authorities in the areas controlled by de facto authorities have not approved the programme. Alternatively, UNICEF will resume psychosocial support interventions in child-friendly spaces in areas controlled by de facto authorities.*
[xii] *Learning supplies are procured through an offshore supplier and are currently in the pipeline for the 2019/20 academic year.*
[xiii] *This is the number of teachers and staff in schools who received incentives in August 2019.*
[xiv] *As the expansion of the programme was not feasible in 2019, the programme was postponed to 2020. While the target was going to be decreased from 175,000 to 85,000 for 2019, no further 2019 appeal revision was conducted, so the results appear low.*
[xv] *Low achievement is due to delayed coordination with authorities.*
[xvi] *In response to the rapid increase of acute watery diarrhoea/cholera cases since March 2019, the communication for development contingency plan was scaled up in partnership with the Government and other partners, focusing on the 38 highest priority districts, which generate 60 per cent of cholera cases.*

Funding requirements

UNICEF is requesting US$535 million to meet the humanitarian needs of children and families and fulfil children's rights in Yemen in 2020. UNICEF humanitarian programmes are planned for nationwide reach, targeting populations in the areas with the most acute needs. Without timely funding, UNICEF and its partners will be unable to effectively address the needs of the most affected children and families. The consequences of the conflict will continue have a devastating effect on families and there is a major risk of the total collapse of public services.

Sector	2020 requirements (US$)[21]
Nutrition	126,103,718
Health	91,190,848
Water, sanitation and hygiene	135,000,000
Child protection	42,800,150
Education	110,997,852
Social policy	3,400,000
Communication for development	11,730,000
Rapid Response Mechanism	13,760,000
Total	**534,982,568**

[1] *This figure is provisional and subject to change upon finalization of the inter-agency needs and planning documents. Office for the Coordination of Humanitarian Affairs, 'Yemen: 2020 Humanitarian Needs Overview' (draft), OCHA, October 2019.*
[2] *International Organization for Migration Displacement Tracking Matrix, 'Rapid Displacement Tracking (RDT): DTM Yemen', IOM DTM, 13 October 2019; and 'Yemen: 2020 Humanitarian Needs Overview' (draft).*
[3] *Ibid.*
[4] *Government of Yemen Ministry of Health administrative data for January–August 2019.*
[5] *Emergency Operation Centre, 'Yemen: Cholera Outbreak 2017/2019– Interactive Dashboard', EOC, 30 September 2019, <http://yemeneoc.org/bi/>, accessed 22 October 2019.*
[6] *United Nations Country Task Force on Monitoring and Reporting, September 2019; and United Nations Children's Fund (UNICEF) estimates as of October 2019.*
[7] *United Nations Children's Fund, 'If Not in School: The paths children cross in Yemen', UNICEF, March 2018.*
[8] *Government of Yemen Ministry of Education, Educational National Statistical Survey 2015–2016, 2017.*
[9] *Available funds include US$173.3 million received against the 2019 appeal and US$134.4 million carried forward from the previous year. Another US$77.8 was received from multilateral organizations and other donors that are focused on system strengthening but have emergency components and will thereby contribute towards 2019 humanitarian programme monitoring results.*
[10] *As part of efforts to strengthen the linkages between humanitarian action and development programming, integrated systems support activities in the health and WASH sectors were implemented (e.g., rehabilitating sanitation systems and supporting the health sector workforce and the functionality of health centres).*
[11] *UNICEF increased the minimum target for SAM management from 70 per cent in 2018 to 90 per cent in 2019.*
[12] *The national polio campaign targeting over 5 million children is yet to take place. Planned targets for social policy were not reached due to funding shortages, and the underperformance of the Rapid Response Mechanism was due to the limited number of people in Yemen returning to their areas of origin.*
[13] *This figure is provisional and subject to change upon finalization of the inter-agency needs and planning documents. 'Yemen: 2020 Humanitarian Needs Overview' (draft).*
[14] *Ibid.*
[15] *This includes 5.5 million children under 5 years targeted for polio vaccination; 2.5 million children aged 5 to 17 years targeted for safe water; and 3.3 million adults targeted for safe water. This includes 5.75 million women/girls and 5.55 million men/boys and an estimated 246,600 people with disabilities.*
[16] *This includes 5.5 million children under 5 years targeted for polio vaccination and 2.5 million children aged 5 to 17 years targeted for safe water. This includes 4.1 million girls and 3.9 million boys and an estimated 176,000 children with disabilities.*
[17] *Programme targets are provisional and subject to change upon finalization of the inter-agency planning documents.*
[18] *UNICEF is targeting 90 per cent of the total caseload, which is well above the Sphere standard. For planning, implementation and procurement, UNICEF will support the entire caseload.*
[19] *This includes 6 million people accessing drinking water through support to the operation, maintenance and rehabilitation of public water systems and 800,000 people accessing emergency safe water supply.*
[20] *This includes 794,000 children and 80,000 caregivers.*
[21] *Figures are provisional estimates. Financial requirements are subject to change upon finalization of the inter-agency appeals/planning documents. While the overall number of people to be reached is slightly lower than in 2019 (13.6 million people compared with 11.3 million people), the funding requirement is in the same range due to increasing operational costs, including fuel.*

Who to contact for further information:

Sara Beysolow Nyanti
Representative, Yemen
Tel: +967 1 211400
Email: sbnyanti@unicef.org

Manuel Fontaine
Director, Office of Emergency Programmes (EMOPS)
Tel: +1 212 326 7163
Email: mfontaine@unicef.org

Carla Haddad Mardini
Director, Public Partnership Division (PPD)
Tel: +1 212 326 7160
Email: chaddadmardini@unicef.org

Annex 116

J. Triedman, "Can American Lawyers Make Iran Pay for 1983 Bombing?", *The American Lawyer*, 30 September 2013

THE AMERICAN LAWYER

Can U.S. Lawyers Make Iran Pay for 1983 Bombing?

By **Julie Triedman** | **Contact** | **All Articles**
The American Lawyer | September 30, 2013

Illustration by Eva Vasquez

This month marks the 30th anniversary of the truck bomb attack by a Hezbollah extremist that killed 241 U.S. Marines in their Beirut barracks. The massive blast on October 23, 1983, left few survivors; bent reinforced concrete columns "like rubber bands," as a judge later described it; and seared the term "suicide bombing" into the American psyche.

Legal remedies have been slow. In October 2001, some 812 family members of the victims sued the government of Iran, which they believe directed the bombing. In 2007 the family members won a $2.65 billion default judgment in *Peterson* v. *the Islamic Republic of Iran*, with no obvious way to enforce it—until this year. On July 9 a federal district court judge in Manhattan ordered Citibank N.A. to turn over $1.9 billion in blocked Iranian assets to a trust pending resolution of Iran's appeal. The proceeds would be shared by a now enlarged group of 1,210 claimants.

If the order withstands appeal, the Peterson case will be a rare example of a successful recovery. At least $54 billion in default judgments against state sponsors of terror have been handed down since 1996, when the

Foreign Sovereign Immunities Act was amended to allow victims of state-sponsored terror to sue for damages. But few have collected on those judgments since 2000, when the last major pool of blocked Iranian assets was distributed. "The past decade of litigation under the FSIA has proved, for victims of state-sponsored terrorism, to be a journey down a never-ending road littered with barriers and often obstructed entirely," Senior U.S. District Judge Royce Lamberth wrote in a 2011 ruling on a claim against Iran related to the 1996 Khobar Towers bombing in Saudi Arabia.

But the Peterson lawyers—Thomas Fortune Fay, a personal injury lawyer, and Steven Perles, an international reparations expert—have played both the legal and the political chess game extremely well. Perles, who helped spearhead the 1996 FSIA amendments, first teamed up with Fay in a successful test case in 1995, Flatow v. Iran, which created a template for future FSIA default judgments.

In Peterson, their primary obstacle was finding Iranian assets still in the United States. Long-running sanctions have prohibited U.S. citizens and entities from virtually all transactions with Iran, so lawyers for claimants have had to be creative. Families holding a $409 million default judgment on a similar claim, for example, have tried since 2007 to seize 2,500-year-old Persian relics from the University of Chicago. Perles and Fay went after shipping companies that owed Iran money for tanker fuel. "We crashed and burned on all those efforts," says Perles.

But timing, and Perles's government network, were on the Peterson claimants' side. In 2008 the U.S. government was looking for new ways to block assets that could be used to fund Iran's nuclear program. The Office of Foreign Assets Control learned that $2.1 billion in securities owned by an unidentified Iranian party were parked in a Citibank account in New York. The account was of an asset class then beyond OFAC's legal reach. New York state law, though, gave creditors holding judgments the right to require a bank to freeze assets pending a court evaluation of their claim.

In June 2008, OFAC gave Perles the Citi account number, making "it pretty clear that these assets were subject to flight and we should move right away," recalls Perles. He called Salon Marrow Dyckman Newman & Broudy's Liviu Vogel, an expert in state judgment enforcement law. The next morning, Vogel filed an enforcement action in federal district court in Manhattan, seeking to freeze the assets on the grounds that OFAC believed they belonged to Iran.

As the court case proceeded under seal at OFAC's request, Vogel had to prove both that the assets were located in the United States and owned by Iran's government, making them eligible to fulfill a judgment under FSIA. That was difficult, given that the assets were so-called dematerialized securities, which only exist electronically. "They're just blips on computers," says Vogel.

Representing Citi, **Davis Wright Tremaine**'s Sharon Schneier told the judge that, as far as the bank was concerned, the account was held by its customer, Luxembourg-based Clearstream Banking S.A., an international securities intermediary. And Clearstream, tapping **White & Case**, asserted that it was acting on behalf of Italy's Banca UBAE SpA, and wasn't required to provide information about UBAE's customers. Clearstream also argued that the court had no jurisdiction since the account had been opened in Luxembourg.

Two weeks into the case, Vogel caught a break. Clearstream offered documents to show that it had already transferred $250 million worth of the securities to UBAE. But the documents also revealed Bank Markazi, Iran's central bank, as the customer behind the transfer.

With a temporary freeze in place, Vogel flew to Rome, where he convinced a judge to compel UBAE to turn over documents providing details on how the Iranian assets had flowed into and remained in New York. In late 2011, other claimants began to assert rival claims on the account, including those holding judgments against Iran related to kidnappings during Lebanon's Civil War; the assassination of Rabbi Meir Kahane in New York by Islamists; the deaths of Americans in Hamas bombings in Israel; and the Khobar Towers bombing. In a court appearance, Bank Markazi finally conceded that it owned the account; via its lawyers at Chaffetz Lindsay, it

asserted that it was immune because FSIA exempted central bank funds from seizure.

But that immunity was undermined in February 2012, when President Barack Obama ordered a block on all Iranian government assets, including those held by the central bank, which hadn't previously been designated for sanctions. Under the Terrorism Risk Insurance Act, the Citi account could now be used to satisfy terror-related judgments. "It really took away all the fact issues that Clearstream had been presenting for three years," Vogel says.

Vogel filed for summary judgment in April 2012. Two months later, the claimants—now including the new groups as well as the original Peterson plaintiffs—presented the judge with an agreement to share the proceeds. "We wanted to show the judge that we were playing nice in the sandbox," says Vogel. That, in turn, boosted efforts to get additional help on Capitol Hill. A Peterson lobbyist, working with **DLA Piper**'s government relations team on behalf of the Khobar victims, pressed lawmakers to add a provision to a new Iran sanctions bill. Drafted by Vogel and passed in August 2012, it named the Citi assets as funds available to terror claimants holding judgments, preempting Uniform Commercial Code provisions that insulate indirectly held assets from judgment creditors.

In a decision unsealed in March, U.S. District Judge Katherine Forrest ruled that the court had jurisdiction over both UBAE and Clearstream, and that assets could be used to satisfy the judgment under FSIA, TRIA, and the new Iran sanctions law. On July 9 she ordered Citi to turn over the cash to a trust.

On September 9, Clearstream announced a settlement with the Peterson claimants. Iran and UBAE have appealed. The appeals delay yet again a recovery for surviving family members of the 1983 victims, 166 of whom have died since the filing.

Meanwhile, at press time there was good news for Iran claimants in another turnover action spearheaded by **Stroock & Stroock & Lavan**'s James Bernard, who represents the family of Kahane and others. In September, a federal district judge ruled on summary judgment that the U.S. government could seize a Manhattan office tower that prosecutors claim is partly owned by another Iranian bank via a shell company. The claimants, including many of the same groups as in Peterson, plan to ask the judge to rule on their summary judgment motion seeking a turnover of the building under FSIA and TRIA.

This article originally appeared in the print edition under the headline "An Uphill Battle."

Annex 117

A. Lakshmi, "India to revive Irano Hind Shipping Company", *www.marinelink.com*, 4 September 2016

India to Revive Irano Hind Shipping Company

marinelink.com/news/shipping-company-revive414911

4 septembre 2016

Maritime Activity Reports, Inc.

MARINELINK

By Aiswarya Lakshmi September 4, 2016

Photo: Shipping Corporation of India

India's government owned Shipping Corp. of India Ltd (SCI) plans to revive a 40-year-old joint venture with an Iranian company after a gap of 4 years, reports Bloomberg.

The recent removal of anti-Tehran sanctions opened the way for resuscitating Irano Hind Shipping Co., which potentially offers access to Central Asian markets such as Kazakhstan, SCI Chairman B. B. Sinha said.

"We don't want this company to just die out," he added as cited by Bloomberg. SCI is struggling for respite from an industry downturn.

"The other partner, Islamic Republic of Iran Shipping Lines, has got great presence in the Caspian Sea."
SCI holds 49% stake of the Iranian joint venture firm, Irano Hind Shipping, while Islamic Republic of Iran Shipping Lines controls the rest.

The company was founded in 1974 and is based in Tehran, Iran. Irano Hind Shipping operates as a subsidiary of Islamic Republic of Iran Shipping Lines Co.

SCI and Islamic Republic of Iran Shipping Lines had in 2012 reportedly decided to dissolve the Tehran-based joint venture, after years of sanctions against Iran over its disputed nuclear program crimped trade flows. Those restrictions began easing in January 2016.

SCI owns and operates around one-third of the Indian tonnage, and has operating interests in practically all areas of the shipping business; servicing both national and international trades. Government of India currently holds 63.75% stake in SCI

Annex 118

N. Gouette & J. Crawford, "U.S. blasts international court on Iran ruling, pulls out of 1955 treaty", *CNN*, 3 October 2018

US blasts international court on Iran ruling, pulls out of 1955 treaty

edition.cnn.com/2018/10/03/politics/pompeo-icj-iran-ruling/index.html

3 octobre 2018

*Washington (CNN)*The Trump administration walked back its commitment to two international agreements Wednesday, withdrawing from a 63-year-old friendship treaty with Iran and limiting its exposure to decisions by the International Court of Justice.

Secretary of State Mike Pompeo announced Wednesday that the US is withdrawing from a 1955 "Treaty of Amity" with Iran after Tehran successfully made an international complaint that Washington had violated that accord.
And national security adviser John Bolton, citing Iran's "abuse of the ICJ," said the US would withdraw from the "optional protocol" under the Vienna Convention on Diplomatic Relations. "We will commence a review of all international agreements that may still expose the US to purported binding jurisdiction dispute resolution in the International Court of Justice," Bolton said. Palestinians also brought a complaint against the US to the ICJ in September, challenging the Trump administration's decision to move the US embassy from Tel Aviv to Jerusalem.

Sovereignty first

Together, the moves reflect a push by the Trump administration to emphasize sovereignty over international cooperation and counter perceived threats to US independence, a central focus for Bolton who has railed against "global governance" and distrusts multilateral institutions.
"It is clearly part of a bigger campaign to undermine international institutions and its notable

that Bolton emphasized that the US is going to be aiming to remove itself from any further jurisdiction," said Richard Gowan, a a Senior Fellow at the Center for Policy Research at United Nations University. "I think that's part of Bolton's underlying agenda. He's quite obsessed with restraints on US policy making."

The US limited its exposure to the ICJ in the 1980s and now, said David Bosco, a professor at Indiana University's School of Global and International Studies, the US is "trying to make itself much harder to sue in international courts," but that also means "if some other country is violating a treaty, the US won't be able to bring a case against it."

"I think they've decided they're not going to use these courts very much, 'mainly it's a place where we get attacked,' so we're going to pull out," Bosco said, describing it as "more of a symbolic thing and part of Bolton's broader push, as he sees it, to protect the United States from the jurisdiction of international courts."

The International Court of Justice ordered the US on Wednesday to lift any sanctions that affect goods required for "humanitarian needs" in Iran.

Tehran brought a complaint against the US in July, arguing that the US decision to pull out of the 2015 nuclear pact and reimpose sanctions violated the 1955 treaty.

Iran also said the US had violated the international nuclear agreement with its unilateral withdrawal in May, and that its re-imposed sanctions were so broad, that they are hurting ordinary Iranians.

Iran's Foreign Minister Mohammed Javad Zarif criticized the US decision to withdraw from the Treaty of Amity on Wednesday.

"US abrogated JCPOA -a multilateral accord enshrined in UNSC Resolution 2231- arguing that it seeks a bilateral treaty with Iran. Today US withdrew from an actual US-Iran treaty after the ICJ ordered it to stop violating that treaty in sanctioning Iranian people. Outlaw regime," he wrote on Twitter.

'Disappointed'

The court ordered the US to remove "impediments" to the export of medicine, medical devices, food and agricultural commodities, and civil aviation equipment to Iran.

"We're disappointed that the court failed to recognize that it has no jurisdiction to issue any order relating to these sanctions measures with the United States, which is doing its work on Iran to protect its own essential security risks -- risk -- interests," Pompeo said.

"In light of how Iran has ... abused the ICJ as a forum for attacking the United States," Pompeo said, "I am, therefore, announcing today that the United States is terminating the Treaty of Amity with Iran," which was signed before the 1979 revolution overthrew the US-backed Shah.

Pompeo said the US was making exceptions to its sanctions to deal with humanitarian issues, and said that "given Iran's history of terrorism, ballistic missile activity and other malign behaviors, Iran's claims under the treaty are absurd."

Bolton to Iran: Hell to pay if you cross us 01:35

"Existing exceptions, authorizations and licensing policies for humanitarian-related transactions and safety of flight will remain in effect," Pompeo said. "The United States has

been actively engaged on these issues without regard to any proceeding before the ICJ. We're working closely with the Department of the Treasury to ensure that certain humanitarian-related transactions involving Iran can and will continue."

Speaking from the White House podium Wednesday, Bolton said the ICJ decision was a "defeat for Iran" as it "correctly rejected nearly all of Iran's requests."

Iran had argued that all post-JCPOA sanctions should be lifted. "The ICJ refused to go this far," noted Scott Anderson, a governance studies fellow at the Brookings, "and instead found that only certain humanitarian goods and services are 'plausibly' covered by the treaty."

The ICJ ruling is binding and can't be appealed, but the court has no way to enforce it. However, it stands as another rebuke to the Trump administration over its Iran policy.

China, Russia and the European Union used this year's United Nations General Assembly to register their unhappiness with US policy on Iran.

China's foreign minister warned that failure of the deal could undermine nuclear non-proliferation efforts, the authority of the UN Security Council and peace and stability in "the region and the wider world."

Iranian President Hassan Rouhani told reporters that other world leaders expressed their support for Iran's continued presence in the deal and disapproval of Washington for its withdrawal. "America is alone," he pronounced.

And the EU announced earlier this month that they are considering the creation of a mechanism designed to help Iran continue trading despite US sanctions. Those strictures are set to get tighter in November when US sanctions on Iran's energy sales go back into effect.

CNN's Zachary Cohen, Jennifer Hansler and Lindsay Isaac contributed to this report.

Annex 119

"Saudi Arabia is America's No. 1 weapons customer", *CBS News*, 12 October 2018

Saudi Arabia is America's No. 1 weapons customer

cbsnews.com/news/saudi-arabia-is-the-top-buyer-of-u-s-weapons

The U.S. remains the world's largest weapons exporter, a position it has held since the late 1990s. Our biggest customer? Saudi Arabia.

That business reality came to the forefront this week in President Donald Trump's refusal to crack down on the kingdom whose royal rulers have been accused of murdering a Saudi-born, U.S.-based dissident journalist who disappeared after entering the Saudi consulate in Istanbul.

The U.S. sold a total of $55.6 billion of weapons worldwide in the fiscal year that ended Sept. 30 — up 33 percent from the previous fiscal year, and a near record. In 2017, the U.S. cleared some $18 billion in new Saudi arms deals.

Mr. Trump has dismissed the idea of suspending weapons sales to Saudi Arabia to punish its crown prince, Mohammad bin Salman, for any involvement in the alleged murder of journalistJamal Khashoggi. "I don't like the concept of stopping an investment of $110 billion into the United States," Mr. Trump said this week.

Last year in May, President Trump used his first foreign trip as an occasion to visit the kingdom and sign an arms deal advertised as $110 billion — a figure experts have since disputed as inflated, since it was not based on actual, signed contracts and included at least $23 billion previously approved by the Obama administration, according to Defense One. But even before that announcement, Saudi Arabia was by far the U.S.' largest arms client, according to the Stockholm International Peace Research Institute.

Over the five years ending in 2017, nearly one-fifth of American weapons exports went to Saudi Arabia, SIPRI reports. Overall, half went to the Middle East and North Africa. In the 2017 calendar year alone, some $18 billion in new Saudi arms deals were cleared by the U.S.

Bombs away

The current White House has shifted the type of weapons exports the U.S. favors. Prior to this year, aircraft was the largest component of U.S. arms sales, according to the Security Assistance Monitor. Under the first year of the Trump administration, sales of bombs and missiles dominated.

That year, the U.S. sold Saudi Arabia $298 million worth of Paveway laser-guided missiles, $98 million in ammunition for various types of firearms and $95 million worth of programmable bomb systems. A recent attack on a school bus in Yemen that killed dozens of children was carried out with a bomb the U.S. sold to Saudi Arabia, CNN has reported

Just this year, the State Department has approved sales to Saudi Arabia of $670 million worth of BGM-71 TOWs, a type of anti-tank missile, $1.3 billion worth of medium self-propelled Howitzers and at least $600 million in "maintenance support services."

Arms sales as economic development

The Trump administration has taken steps this year to further boost arms sales abroad. This spring, the National Security Council put forth a policy that cuts regulations and diminishes the long wait times usually associated with weapons sales — all in the name of economic growth. The policy, called an "Arms Transfer Initiative," is explicitly meant to "expand opportunities for American industry [and] create American jobs," Tina Kaidanow, a longtime State Department diplomat who recently moved to the Pentagon, said at a conference in August

Some economists question the effectiveness of the military jobs approach, however, noting that federal spending on education, health care or infrastructure creates many more jobs than defense spending does.

Meanwhile, the U.S. remains the world's No. 1 arms seller, with one-third of the globe's international arms exports originating here, according to a report by SIPRI. Russia, the next-largest exporter, is responsible for just over one-fifth of the global market.

As for where the dollars from those transactions are flowing, here are the U.S. corporations that contract with the Department of Defense, along with the money committed to them last year.

Annex 120

"White House Digs Itself in Deeper on Khashoggi", *Foreign Policy*, 4 December 2018

White House Digs Itself in Deeper on Khashoggi

foreignpolicy.com/2018/12/04/white-house-digs-itself-in-deeper-on-khashoggi-trump-refuses-to-address-murder-journalist-saudi-arabia-anger-congress-mohammed-bin-salman-complicit-war-in-yemen-humanitarian-disaster-gina-haspel

Michael Hirsh, Robbie Gramer

The more the Trump administration tries to put the issue of Jamal Khashoggi behind it, the more its efforts appear to backfire, keeping the journalist's murder front and center and hardening a bipartisan U.S. Senate demand for action against Saudi Arabian Crown Prince Mohammed bin Salman.

On Tuesday, bowing to demands from Republicans such as Sen. Lindsey Graham of South Carolina, the administration sent in CIA Director Gina Haspel to brief a select group of senators from key committees on the agency's findings about the Khashoggi killing. In contrast to statements from President Donald Trump—who has said "we may never know" if the crown prince was culpable—several senators came out of the briefing saying they were more convinced than ever.

"There's not a smoking gun, there's a smoking saw," Graham told reporters, apparently referring to the bone saw that the Khashoggi assassins brought along when they entrapped, killed, and dismembered him in the Saudi consulate in Istanbul on Oct. 2.

He added: "You have to be willfully blind not to come to the conclusion that this was orchestrated and organized by people under the command of [Mohammed bin Salman] and that he was intricately involved in the demise of Mr. Khashoggi."

Sen. Bob Corker, the Republican chairman of the Senate Foreign Relations Committee, said he now has "zero question" in his mind "that the crown prince directed the murder." Other Republicans who last week had opposed a resolution directing the president to halt U.S. support of the Saudi war in Yemen now suggested they might change their position after hearing what Haspel had to say in the classified briefing.

Republican Sen. Richard Shelby said he wouldn't rule out supporting the resolution this time when it comes up for a full vote. "All evidence points to that all this leads back to the crown prince," Shelby said.

Thus, every time the White House tries to put the matter to rest, it only appears to inflame the issue, which is also fueling support for a push to end U.S. involvement in the war in Yemen.

Last week, the administration sent Secretary of State Mike Pompeo and Defense Secretary James Mattis to brief the Senate, but Graham and other senators expressed outrage that they were not hearing directly from Haspel, as the CIA's assessment had been liberally leaked to the media.

Pompeo and Mattis are now expected to give a briefing to the House on Yemen and Saudi Arabia on Dec. 13, ahead of a Democratic takeover of the House in January following the party's gains in the midterm elections.

But the White House's decision to make Haspel available—though only to a small group of recalcitrant senators—has backfired again, since it whetted the appetite of more senators for a briefing of their own. Later Tuesday, Senate Democratic Leader Chuck Schumer issued a statement saying the briefing only "reinforced the need for a strong response to the murder of Jamal Khashoggi," and that Haspel "should brief the full Senate without delay."

The fierce spat between the White House and Congress has fueled new levels of support for a resolution that would demand an end to U.S. involvement in the war in Yemen—a push that could trigger an unprecedented showdown over the U.S. government's authority to wage war.

While the Trump administration has repeatedly distinguished Khashoggi's murder and the war in Yemen as separate issues, lawmakers are tying both together as a showcase of how blank-check support for Saudi Arabia erodes U.S. moral standing.

Lawmakers on the Senate Foreign Relations Committee used a nomination hearing on Tuesday that included Christopher Henzel, a career diplomat tapped to be next ambassador to Yemen, to vent their frustrations about the Trump administration over its relationship with Saudi Arabia. Sen. Todd Young (R) said the administration was "clearly and directly blown off" by Riyadh.

Henzel said the administration condemned the action and it would continue to press for accountability.

Yemen, where a Saudi-led coalition is fighting Iran-backed Houthi rebels, has spiraled into the world's worst humanitarian crisis. Some 14 million people face starvation, and recent studies estimate 85,000 children under five have starved to death. The Saudi coalition faced criticism for indiscriminately bombing civilian targets and infrastructure, though the Trump administration argues the situation would be much worse without U.S. assistance.

The United States currently provides arms shipments and logistical support including intelligence and targeting assistance to the Saudi-led coalition, which includes the United Arab Emirates and other Arab countries. The assistance began under the Obama administration.

The administration has publicly backed peace talks this month in Sweden, brokered through U.N. Special Envoy Martin Griffiths, to bring about an end to the conflict.

On Nov. 28, the Senate voted 63 to 37 to advance a resolution that calls on the United States to end its military involvement in Yemen. The resolution cites the 1973 War Powers Resolution passed in the wake of the Vietnam war that asserts Congress's role in

authorizing war. Though it was passed nearly 50 years ago, there is still a debate over whether the resolution is constitutional.

The resolution has to overcome several hurdles before it is passed, due to arcane Senate rules. The next vote, a motion to proceed with the final vote, could come as soon as Thursday, Senate aides told Foreign Policy. If it advances beyond that, senators have an opportunity to debate and add amendments to the resolution before a final vote.

Independent Sen. Bernie Sanders, Democratic Sen. Chris Murphy, and Republican Sen. Mike Lee, who championed of the resolution, were not included in the Haspel briefing on Tuesday.

Annex 121

L. Hartig, "Full Accounting Needed of US-UAE Counterterrorism Partnership in Yemen", *justsecurity.org*, 7 December 2018

Full Accounting Needed of US-UAE Counterterrorism Partnership in Yemen

justsecurity.org/61761/full-accounting-needed-us-uae-counterterrorism-partnership-yemen

By Luke Hartig December 7, 2018

At the end of next week, amid an increasingly contentious debate about Saudi Arabia's actions in Yemen and elsewhere, the Trump administration owes Congress a report that may begin to answer hard questions about the nature of U.S., Saudi, and Emirati actions in Yemen – against the Houthis, but also against our terrorist adversaries there.

The 2019 National Defense Authorization Act (NDAA), passed on August 13, requires the defense secretary to submit to Congress within 120 days a report on whether the "armed forces or coalition partners of the United States violated federal law or Department of Defense (DOD) policy while conducting operations in Yemen." The NDAA language is constructed broadly, to capture the entirety of U.S. operations in Yemen, but a close read makes clear that it is just as much about accountability for U.S. counterterrorism operations in the country – particularly lingering questions about U.S. complicity in torture of suspected terrorists by forces from the United Arab Emirates (UAE) – as it is about U.S. military support to the Saudi-led campaign against the Houthi rebels. With this report, we may begin to have some fruitful dialogue about the specific legal and moral compromises we have made by going all in with the UAE in exchange for progress against terrorist groups in Yemen.

Media reporting and public discussion around the U.S. counterterrorism war in Yemen has been largely muted amid concerns about the larger humanitarian horror of the Saudi-Houthi war, but during a closed door briefing last week on U.S. military support to Saudi Arabia for its war in Yemen, Secretary of State Mike Pompeo told lawmakers that one of the reasons the United States has continued providing aid is to counter terrorist groups in the country.

"All we would achieve from an American drawdown is a stronger Iran and a reinvigorated ISIS and al-Qaeda in the Arabian Peninsula (AQAP)," he said, according to excerpts of his prepared remarks released by the State Department.

Then, for political flourish, Pompeo added, "Try defending that outcome back home."

The scare tactics from the former Republican congressman and Trump loyalist were not surprising, but his statement is revealing. Several government officials have recently acknowledged, however quietly, that al-Qaeda in the Arabian Peninsula (AQAP) is now a shadow of its former self. That welcome news is mostly due – at least over the past two years – to a deepened U.S. partnership with the UAE, Saudi Arabia's lower profile co-belligerent in the Yemen war. Yet despite the progress against AQAP,

the backstory of the partnership with the Emiratis raises tough questions about the durability and ethics of proxy warfare in Yemen, especially when our partners don't fully share our objectives or values.

President Donald Trump's first significant action on counterterrorism once in office was to dial up the pressure in Yemen by leaning into the partnership with the UAE. During his first week in the White House, he authorized a joint U.S.-Emirati raid in Yemen that went awry, leaving Navy SEAL Ryan Owens and several Yemeni civilians dead. The raid and its outcome raised serious questions about how the new administration was going to manage counterterrorism deployments. (Subsequent deaths of U.S. special operators in Somalia and the Sahel reinforced these concerns.) Yet while commentators, myself included, focused on the president's mismanagement of high-risk operations, the administration was, for the most part, continuing and intensifying the counterterrorism playbook the Obama administration had established in Yemen over the previous year.

U.S.-Emirati cooperation, which began during the Obama administration and was responsible for successfully wresting the eastern port city of Mukallah from AQAP control in April 2016, appears to have deepened even after the disastrous January 2017 raid. U.S. advisers continued supporting Emirati forces and local Yemeni partners in combating the remains of AQAP in the eastern governorate of Hadramawt. And while U.S. officials provided limited commentary on the rationale for a surge of 80 U.S. strikes across central and southern Yemen in the spring of 2017 — far and away the largest surge of U.S. airstrikes in Yemen ever – it appeared designed to cripple AQAP infrastructure and potentially reinforce Emirati military operations in the region.

In 2018, U.S. military operations in Yemen against AQAP have continued at less intensive levels than in 2017, but they seem to follow the same playbook — operational support to the Emiratis and local partners fighting on the ground and targeted airstrikes against key terrorist operatives. This past summer, the United States notched one of its biggest counterterrorism victories ever in Yemen, when a U.S. strike killed Ibrahim al-Asiri, the highly elusive master bombmaker who was reportedly behind AQAP plots to bring down U.S. airlines. Former CIA deputy director Michael Morell called the death of Asiri, whom the United States had pursued for nearly a decade, the most significant terrorist death since Osama bin Laden.

The results of these operations — carried out across two administrations — appear to be a degradation of AQAP and the successful prevention of ISIS from gaining ground in Yemen. In October, Russ Travers, acting director of the National Counterterrorism Center said, "[AQAP] has been diminished this year by the loss of fighters and skilled personnel, but the group continues to launch attacks against its rivals while generating media products that urge extremists to target the West."

It was not exactly a declaration of victory, but it was a far cry from earlier warnings from U.S. intelligence officials that AQAP was the "most dangerous" al-Qaeda affiliate, intent on launching complex attacks against the American homeland. The National

Strategy for Counterterrorism, also released in October, did not even mention AQAP by name, an omission made all the more notable by the strategy's explicit reference to third tier groups like the little known Nordic Resistance Movement. The annual Worldwide Threat Assessment, released by the Office of the Director of National Intelligence in February, is similarly circumspect, noting that regional al-Qaeda affiliates, including AQAP, are most likely to focus on local operations and inspiring, rather than directing, attacks abroad.

The overall story of U.S. counterterrorism operations in Yemen is one of cautious success amid the broader disaster of the country's civil war and the Saudi-led coalition's intervention in it. Yet, in peeling back the cover on these accomplishments, major moral and legal concerns emerge over *how* we achieved them.

The cracks in this good news story began in late spring 2017, when reports emerged that our Emirati partners in eastern Yemen were engaged in indiscriminate detention and active torture of detainees as part of their broader counterterrorism efforts in the region. The reports raised serious questions as to how much U.S. forces on the ground — as well as their superiors in Tampa, Fl., and Washington, D.C. — knew about the abuses and whether they had done anything meaningful to stop them. Congressional leaders briefly expressed outrage and called on Secretary of Defense Jim Mattis to investigate, but those calls for public accountability largely receded after receiving a closed door explanation from Mattis.

In July, remarkable on-the-ground reporting from *The Washington Post* a rarity in Yemen since the onset of the Saudi-Houthi war, documented further fissures in the Emirati grasp on southern and eastern Yemen. The local population was growing frustrated with the UAE's heavy-handed tactics and its failure to resolve longstanding political issues. Then, an October story from Buzzfeed reported that the Emiratis had hired contractors, including former U.S. special operations forces, to carry out targeted killings of terrorists in southern Yemen, raising a bevy of legal and ethical questions

For all the challenges the Emiratis have faced in governing southern and eastern Yemen, AQAP has yet to re-emerge. The reason could stem purely from Emirati operational effectiveness, but reporting from August raises an alternative — and far more troubling — explanation. Journalists from the Associated Press and the Pulitzer Center reported that the Emiratis and Saudis have cut deals with al-Qaeda in order to leverage them in the fight against the Houthis. This includes, "paying some to leave key cities and towns and letting others retreat with weapons, equipment and wads of looted cash...Hundreds more were recruited to join the coalition itself." The allegations that a U.S. partner could be allying with al-Qaeda should have been ground shaking and yet amid the larger daily horrors of Yemen and the crazy Washington news cycle, it barely registered as a blip.

With this steady drip of troubling news, we are now face-to-face with the pitfalls of proxy warfare, even with partners who appear as operationally competent as the Emiratis. I will leave it to others to address the legal question of whether our support

to the UAE violates any statutes, but we are at least dangerously close to being morally complicit in their misdeeds. Indeed, the set of reports about the Emiratis are like a rehash of the major post-9/11 counterterrorism controversies, practices that had mostly been brought to a halt, at least for the United States.

The detention-related allegations raise familiar questions about U.S. complicity in rendition, black sites and torture. The potential use of mercenaries in a war zone is reminiscent of the days of Blackwater roaming Iraq with virtual impunity. The possibility that the UAE is cutting deals with AQAP reminds one of Pakistani double dealing with the Taliban. Whether or not the American public recognizes the ominous precursors here, no doubt the Yemeni public and others in the region easily remember the uglier moments of the U.S. counterterrorism campaign following 9/11. And with every passing month that the U.S. government offers no public explanation of its partnership with the Emiratis, or how we are steering clear of their worst abuses, we are back in the opaque early days of the Global War on Terror, urged to just trust those who operate in the shadows and to turn a blind eye to the compromises they have to make to keep America safe.

But with the DOD report due to Congress next week, there may be some opportunity for accountability. To be sure, the problems with Emirati counterterrorism efforts pale in comparison with the damage the UAE and Saudi Arabia have inflicted in the Yemeni civil war. Still, as a key U.S. counterterrorism partner, we bear a special responsibility to ensure this relationship is as functional and ethical as possible. For starters, expanded congressional oversight should include a thorough accounting of U.S. involvement in the Emirati detention program, something that Congress previously promised, but did not begin to act on until passing the NDAA more than a year after the initial allegations of abuse emerged. The NDAA asks all the right questions – about the facts on the ground, the nature of U.S. involvement, and assurances the UAE may have provided – but the hard work on the Hill will take place after the report is delivered, when congressional overseers may need to develop new policies to keep U.S. forces far away from abusive treatment of detainees and ensure that our partners make and stick to key assurances.

Congress should similarly pressure the Trump administration to review the reported Emirati use of American mercenaries and whether this violates U.S. law, as several human rights groups and colleagues have urged. Key committees should look into the reports of deals being cut with AQAP and particularly whether any such support violates U.S. statutes or policies prohibiting support to terrorism. And as with the detention issue, Congress should commit to hard work to prevent future transgressions from the UAE and other partners, including by being willing to reshape, suspend, or sever those partnerships as needed. This is not easy; the UAE has been a stalwart U.S. partner for years, and years of U.S. training and UAE investment have created a highly effective Emirati counterterrorism force. We rely on them in Yemen and beyond, and policymakers will have to grapple with how to maintain counterterrorism pressure

while holding the UAE to account. But the list of alleged Emirati misdeeds is too serious to give them the free pass Pompeo and others in the administration seem to suggest.

Finally, Congress should urge the administration to maximize transparency around our counterterrorism war in Yemen. Absent positive administration steps in this direction, Congress should release its own accounting of U.S. counterterrorism efforts, perhaps building on DOD's detention and interrogation report. Such a move toward public transparency would explore the legal and policy parameters bounding our efforts and account for any misdeeds that may have unfortunately happened under our watch, but it should also put into context for the American people and the world what we're doing in Yemen and why we are putting our people in harm's way in pursuit of our goals. Increased accountability and transparency should not be focused on undercutting support for counterterrorism efforts in Yemen. Given the threats we have seen over the past nine years and al-Qaeda's history of re-emerging after previous declines in Yemen, we cannot afford to take our eye off terrorist threats in Yemen. But it's clearly time to take stock of our efforts and our partners, clarify our purpose, and publicly recommit to conducting this counterterrorism campaign at the high standards of accountability that have come to define U.S. operations since the end of the Bush administration.

Indeed, given the tremendous (and rightful) public distrust in the Saudi-led coalition and calls for the United States to pull out of the civil war in Yemen – which is sure to be conflated with the separate U.S. counterterrorism operations being conducted there – such a public education is more important than ever. To do anything less is to undermine our laudable gains against AQAP, condone the worst actions from our partners, and only invite a resurgence of the threat in years to come.

Image: Yemeni pro-government fighters sit at the back of an armed pick-up as Emirati supported forces take over Houthi bases on the frontline of Kirsh between the province of Taez and Lahj, southwestern Yemen, on July 1, 2018. Photo by Saleh Al-OBEIDI/AFP/Getty Images

Annex 122

"UNSC Resolution 2231 enforces no ban on Iran's missile program: FM Zarif",
***Press TV*, 11 December 2018**

UNSC Resolution 2231 enforces no ban on Iran's missile program: FM Zarif

presstv.com/Detail/2018/12/11/582643/missile-Iran-Zarif-Resolution-2231

Tuesday, 11 December 2018 3:31 PM **[Last Update: Tuesday, 11 December 2018 3:43 PM]**

In this photo provided on November 5, 2018 by the Iranian Army, a Sayyad 2 missile is fired by the Talash air defense system during drills in an undisclosed location in Iran. (Via AP)

Iranian Foreign Minister Mohammad Javad Zarif says the United Nations Security Council Resolution 2231 has not imposed any ban on Iran's missile program.

"As the foreign minister, I can say that the issue of missiles has never been subject to negotiations between Iran and its [opposite negotiating] sides," Zarif told Tasnim news agency on Tuesday.

He emphasized that nothing has been approved or endorsed in Security Council Resolution 2231 about the prohibition of missile activities for the Islamic Republic.

> "Our defense doctrine is basically based on deterrence and defense, not offensive [purposes]," the top Iranian diplomat said.

This is an issue which the Islamic Republic has proved throughout its history, he added.

Zarif made the remarks in reaction to an allegation by US Secretary of State Mike Pompeo in a post on his Twitter account on December 1, claiming that Iran has "just test-fired a medium range ballistic missile" in violation of the United Nations Security Council Resolution 2231.

Pompeo condemned what he described as "growing" Tehran's "missile testing and missile proliferation," and called upon the Islamic Republic to cease these activities.

UN Security Council Resolution 2231 enshrined the 2015 international nuclear agreement, officially known as the Joint Comprehensive Plan of Action (JCPOA), from which Washington has withdrawn under the pretext, among others, that it should have included Iran's missile program as well.

Under the deal, reached between Iran and six major powers -- the United States, Britain, France, Germany, Russia and China -- Tehran agreed to put limits on its nuclear program in exchange for the removal of nuclear-related sanctions.

Earlier on Tuesday, Brigadier General Amir Ali Hajizadeh, the commander of the Islamic Revolution Guards Corps (IRGC)'s Aerospace Division, described Iran's latest ballistic missile test as "significant," emphasizing that the country will continue such tests, in line with its deterrence doctrine.

PressTV-Iran's latest ballistic missile test significant: IRGC cmdr.
A senior Iranian military commander describes the country's latest ballistic missile test as "significant," and says Iran will continue testing conventional missiles.
"We will continue to conduct our missile tests and this latest one was particularly significant," Hajizadeh said.

Iran's Defense Minister Brigadier General Amir Hatami said on December 2 that the Islamic Republic is currently one of the world's topmost missile powers despite being subject to severe sanctions during the past 40 years.

PressTV-'Iran among world's top missile powers'
The Iranian defense minister says the country is currently one of the world's topmost missile powers despite severe sanctions.
"Today, Iran is among the world's topmost powers in building missiles, radars, armored vehicles and unmanned aerial vehicles (UAVs)," the Iranian defense minister said in an exclusive interview with IRNA, emphasizing that Iran's defense power is meant to send the message of peace and friendship to other nations.

The senior spokesman of the Iranian Armed Forces also said on December 2 that the country will continue to test and develop its missiles in line with its deterrence policy despite adversarial positions taken on this issue by US officials.

PressTV-'Iran will continue to test, develop deterrent missiles'
A senior Iranian commander says the country will continue to test and develop missiles in line with its deterrence policy.
"Missile tests and the overall defensive capability of the Islamic Republic are for defense [purposes] and in line with our country's deterrence [policy]...We will continue to both test and develop missiles," Brigadier General Abolfazl Shekarchi said, adding, "This issue is outside the framework of any negotiations and is part of our national security. We will not ask any country's permission in this regard."

Over the past years, Iran has made major breakthroughs in its defense sector and attained self-sufficiency in manufacturing military equipment and hardware despite being under sanctions and economic pressures.

Tehran asserts that its missile arsenal is strictly in the service of the country's defensive purposes and poses no threat to other states.

Annex 123

"Pompeo announces suspension of nuclear arms treaty with Russia", *CNN*, 1 February 2019

Pompeo announces suspension of nuclear arms treaty with Russia

edition.cnn.com/2019/02/01/politics/us-russia-nuclear-arms-treaty-pompeo/index.html

1 février 2019

*Washington (CNN)*Secretary of State Mike Pompeo announced Friday that the US is suspending the Intermediate-Range Nuclear Forces Treaty, a key pact with Russia that has been a centerpiece of European security since the Cold War.

"For years, Russia has violated the terms of the Intermediate-Range Nuclear Forces Treaty without remorse," Pompeo said, speaking from the State Department. "Russia's violations put millions of Europeans and Americans at greater risk."
"It is our duty to respond appropriately," Pompeo said, adding that the US had provided "ample time" for Russia to return to compliance.
The long-expected suspension, which has raised concerns about a renewed arms race with Moscow and put European allies on edge, goes into effect on Saturday. Pompeo's announcement starts a 180-day clock to complete withdrawal unless Russia returns to compliance with the 1987 agreement.
President Donald Trump and his senior officials had been signaling for months that they were ready to pull out of the INF treaty, which the US accuses Moscow of violating since 2014.

'Full support'

"The United States has fully adhered to the INF Treaty for more than 30 years, but we will not remain constrained by its terms while Russia misrepresents its actions," Trump said in a statement Friday. "We cannot be the only country in the world unilaterally bound by this treaty, or any other."
Later, at the White House, the President hinted to reporters that he'd be open to negotiations on a new treaty but did not mention Russia by name -- the only other signatory to the pact.
"I hope that you're able to get everybody in a big and beautiful room and do a new treaty that would be much better, but certainly I would like to see that," Trump said, according to pool reports. "But you have to have everybody adhere to it and you have a certain side that almost pretends it doesn't exist.'
"So unless we're going to have something we all agree to we can't be put at the disadvantage of going by a treaty, limiting what we do, when somebody else doesn't go by that treaty," Trump said.
WhileRussia and the US are the only two parties to the treaty, but it significantly affects European security.
The ground-based nuclear tipped cruise missiles covered by the bilateral agreement can fly between 310 to 3,100 miles, making them a threat to Europe, where officials have unanimously backed the US decision, even as they consider their next steps and admit

having little to no optimism that the treaty can be saved.
In a statement, NATO said America's allies "fully support" the US decision because of Russia's threat to Euro-Atlantic security and its refusal to provide any credible response or take any steps towards full and verifiable compliance.
NATO urged Russia to use the next six months to "return to full and verifiable compliance to preserve the INF Treaty."

Arms control experts sound the alarm

Top Kremlin official: We are not that threatening
"We are heading into a direction we have not been in in 40 years: no arms control limits or rules that we are both following, and that is very dangerous," said Lynn Rusten, a senior director for arms control and nonproliferation at the National Security Council during the Obama administration who is now a vice president at the Nuclear Threat Initiative.
US officials and lawmakers have expressed concern that the treaty is allowing China to gain a military advantage, as Beijing is not bound by the INF treaty's limits on intermediate range missiles that currently constrain the US.
Trump appeared to confirm this in his Friday remarks to reporters, saying, "first of all you have to add countries" to the treaty.
But a senior US administration official denied Beijing is a factor.
"There's a lot of discussion about China," this official said, briefing reporters on the suspension. "It is a reality that China is unconstrained, it is a reality they have more than 1,000 of these weapons, but for the United States this has nothing to do with China. This is solely about Russia's violation of this treaty."
"We simply cannot tolerate this kind of abuse of arms control," the official said.

Russian denials

Russia has consistently denied being in violation of the treaty, and on Thursday, Deputy Foreign Minister Sergey Ryabkov said talks with the US hadn't yielded progress.
"Unfortunately, there is no progress. The US position remains rather tough and ultimatum-like," Ryabkov said, according to Russian state media outlet TASS.
"We told the US side that it is impossible to hold dialogue in the conditions of attempted blackmailing of Russia," he added.
Senior US administration officials countered Thursday by laying out Russia's repeated efforts to get the US to agree to dissolve the treaty and years of American effort to get Russia to comply, including 35 diplomatic engagements ranging from the highest political levels to technical talks.
"We have, unfortunately, very little to show for it," said a US official who briefed reporters on condition of anonymity, stressing that "the onus is on Russia."
The Doomsday Clock says it's almost the end of the world as we know it. (And that's not fine.)
"Russia continues to deny its violations ... Russia will have this chance. If they are truly interested in preserving this treaty, this is their final chance," the official continued. "It

would be in Russia's best interests to return to full and verifiable compliance."
This official noted the "remarkable unity" among the US and its European allies, but European officials say they're concerned about the treaty dissolving and say they will use the six-month window to urge Russia to comply.
"It is clear to us that Russia has violated this treaty and that's why we need to speak to Russia," German Chancellor Angela Merkel said at a press conference in Berlin on Friday, shortly before the US announced its intention to suspend the treaty.
Germany will "do everything we can" to use the six-month deadline after the termination to hold further talks with Russia, Merkel said.

'What are we looking at instead?'

European officials discussing the fallout in the coming months point to a possible increase in Russian cyber activities, including its influence campaigns, Russia is likely to use the US withdrawal as an excuse to deploy systems elsewhere and the certainty of finger-pointing, as Moscow works to assign blame.
"Russia will feel more legitimized to continue what it's doing now, but also increasing some of its efforts on missile technology and deploying them," said a European official.
A second European official said that "they will threaten, they will try to divide NATO, they'll do anything but stay quiet." The Russians will likely argue that "this is about the US and the US trying to destabilize the international order," this official said, stressing that Europe has been united in its stance, alongside the US, that Russia has been violating the treaty.
"The bigger picture is what kind of sign you're sending out, what message you're sending," said a third European official. "For us, this treaty was extremely important for our security. What are we looking at instead" if it is scrapped, the official asked.
CNN's Kylie Atwood and Veronica Stracqualursi in Washington, and Nadine Schmidt in Berlin contributed to this report.

Annex 124

Amnesty International, "Syria: Unprecedented investigation reveals US-led Coalition killed more than 1,600 civilians in Raqqa 'death trap'", 25 April 2019

Syria: Unprecedented investigation reveals US-led Coalition killed more than 1,600 civilians in Raqqa 'death trap'

amnesty.org/en/latest/news/2019/04/syria-unprecedented-investigation-reveals-us-led-coalition-killed-more-than-1600-civilians-in-raqqa-death-trap

25 April 2019, 12:01 UTC

- ***Amnesty International and Airwars launch interactive website documenting hundreds of civilian casualties***
- ***Most comprehensive investigation into civilian deaths in modern warfare***
- ***US, UK and French forces still in denial, admitting to 10% of killings***

The US-led military Coalition must end almost two years of denial about the massive civilian death toll and destruction it unleashed in the Syrian city of Raqqa, Amnesty International and Airwars said today as they launched a new data project on the offensive to oust the armed group calling itself "Islamic State" (IS).

The interactive website, *Rhetoric versus Reality: How the 'most precise air campaign in history' left Raqqa the most destroyed city in modern times*, is the most comprehensive investigation into civilian deaths in a modern conflict. Collating almost two years of investigations, it gives a brutally vivid account of more than 1,600 civilian lives lost as a direct result of thousands of US, UK and French air strikes and tens of thousands of US artillery strikes in the Coalition's military campaign in Raqqa from June to October 2017.

By the time the offensive began, the IS had ruled Raqqa for almost four years. It had perpetrated war crimes and crimes against humanity, torturing or killing anyone who dared oppose it. Amnesty International previously documented how IS used civilians as human shields, mined exit routes, set up checkpoints to restrict movement, and shot at those trying to flee.

> Thousands of civilians were killed or injured in the US-led Coalition's offensive to rid Raqqa of IS, whose snipers and mines had turned the city into a death trap. Many of the air bombardments were inaccurate and tens of thousands of artillery strikes were indiscriminate, so it is no surprise they killed and injured many hundreds of civilians.

"Coalition forces razed Raqqa, but they cannot erase the truth. Amnesty International and Airwars call upon the Coalition forces to end their denial about the shocking scale of civilian deaths and destruction caused by their offensive in Raqqa."

"The Coalition needs to fully investigate what went wrong at Raqqa and learn from those lessons, to prevent inflicting such tremendous suffering on civilians caught in future military operations," said Chris Woods, Director of Airwars.

> The Coalition needs to fully investigate what went wrong at Raqqa and learn from those lessons, to prevent inflicting such tremendous suffering on civilians caught in future military operations.

Cutting-edge research on the ground in Raqqa and from afar

Amnesty International and Airwars have collated and cross-referenced multiple data streams for this investigation.

On four visits since the battle was still raging, Amnesty International researchers spent a total of around two months on the ground in Raqqa, carrying out site investigations at more than 200 strike locations and interviewing more than 400 witnesses and survivors.

Amnesty International's innovative "Strike Trackers" project also identified when each of the more than 11,000 destroyed buildings in Raqqa was hit. More than 3,000 digital activists in 124 countries took part, analyzing a total of more than 2 million satellite image frames. The organization's Digital Verification Corps, based at six universities around the world, analyzed and authenticated video footage captured during the battle.

Airwars and Amnesty International researchers analyzed open-source evidence, both in real-time and after the battle – including thousands of social media posts and other material – to build a database of more than 1,600 civilians reportedly killed in Coalition strikes. The organizations have gathered names for more than 1,000 of the victims; Amnesty International has directly verified 641 of those on the ground in Raqqa, and there are very strong multiple source reports for the rest.

Both organizations have frequently shared their findings with the US-led military Coalition and with the US, UK and French governments. As a result, the Coalition has admitted responsibility for killing 159 civilians – around 10% of the total number reported – but it has routinely dismissed the remainder as "non-credible." However, to date the Coalition has failed to adequately probe civilian casualty reports or to interview witnesses and survivors, admitting it does not carry out site investigations.

Bringing cases to life

Rhetoric versus Reality brings to life the stories of families who lived and died in the war by taking users on a journey through the city; meeting survivors, hearing their testimonies and visiting their destroyed homes. From the bombed-out bridges spanning the Euphrates to the largely demolished old city near the central stadium, no neighbourhood was spared.

Developed with Holoscribe's creative team, the interactive website combines photographs, videos, 360-degree immersive experiences, satellite imagery, maps and data visualizations to highlight the cases and journeys of civilians caught under the

Coalition's bombardment. Users can also explore data on civilians who were killed, many of them after having fled from place to place across the city.

Entire city blocks flattened

Raqqa's soaring civilian death toll is unsurprising given the Coalition's relentless barrage of munitions that were inaccurate to the point of being indiscriminate when used near civilians.

One US military official boasted about firing 30,000 artillery rounds during the campaign – the equivalent of a strike every six minutes, for four months straight – surpassing the amount of artillery used in any conflict since the Viet Nam war. With a margin of error of more than 100 metres, unguided artillery is notoriously imprecise and its use in populated areas constitutes indiscriminate attacks.

One of the first neighbourhoods to be targeted was Dara'iya, a low-rise, poorer district in western Raqqa.

In a ramshackle, half-destroyed house, Fatima, nine years old at the time, described how she lost three of her siblings and her mother, Aziza, when the Coalition rained volleys of artillery shells down on their neighbourhood on the morning of 10 June 2017. They were among 16 civilians killed on that street on that day alone. Fatima lost her right leg and her left leg was badly injured. She now uses a wheelchair donated by an NGO to get around and her only wish is to go to school.

Families wiped out in an instant

US, UK and French forces also launched thousands of air strikes into civilian neighbourhoods, scores of which resulted in mass civilian casualties.

In one tragic incident, a Coalition air strike destroyed an entire five-storey residential building near Maari school in the central Harat al-Badu neighbourhood in the early evening of 25 September 2017. Four families were sheltering in the basement at the time. Almost all of them – at least 32 civilians, including 20 children – were killed. A week later, a further 27 civilians – including many relatives of those killed in the earlier strike – were also killed when an air strike destroyed a nearby building.

"Planes were bombing and rockets were falling 24 hours a day, and there were IS snipers everywhere. You just couldn't breathe," one survivor of the 25 September strike, Ayat Mohammed Jasem, told a TV crew when she returned to her destroyed home more than a year later.

"I saw my son die, burnt in the rubble in front of me. I've lost everyone who was dear to me. My four children, my husband, my mother, my sister, my whole family. Wasn't the goal to free the civilians? They were supposed to save us, to save our children."

> I saw my son die, burnt in the rubble in front of me. I've lost everyone who was dear to me. My four children, my husband, my mother, my sister, my whole family. Wasn't the goal to free the civilians? They were supposed to save us, to save our children.

Time for accountability

Many of the cases documented by Amnesty International likely amount to violations of international humanitarian law and warrant further investigation.

Despite their best efforts, NGOs like Amnesty International and Airwars will never have the resources to investigate the full extent of civilian deaths and injuries in Raqqa. The organizations are urging US-led Coalition members to put in place an independent, impartial mechanism to effectively and promptly investigate reports of civilian harm, including violations of international humanitarian law, and make the findings public.

Coalition members who carried out the strikes, notably the USA, the UK and France, must be transparent about their tactics, specific means and methods of attack, choice of targets, and precautions taken in the planning and execution of their attacks.

Coalition members must create a fund to ensure that victims and their families receive full reparation and compensation.

Annex 125

J. Borger, "Nuclear weapons: experts alarmed by new Pentagon 'war-fighting' doctrine", *The Guardian*, 19 June 2019

Nuclear weapons: experts alarmed by new Pentagon 'war-fighting' doctrine

theguardian.com/world/2019/jun/19/nuclear-weapons-pentagon-us-military-doctrine

Julian Borger 19 juin 2019

The Pentagon believes using nuclear weapons could "create conditions for decisive results and the restoration of strategic stability", according to a new nuclear doctrine adopted by the US joint chiefs of staff last week.

The document, entitled Nuclear Operations, was published on 11 June, and was the first such doctrine paper for 14 years. Arms control experts say it marks a shift in US military thinking towards the idea of fighting and winning a nuclear war – which they believe is a highly dangerous mindset.

"Using nuclear weapons could create conditions for decisive results and the restoration of strategic stability," the joint chiefs' document says. "Specifically, the use of a nuclear weapon will fundamentally change the scope of a battle and create conditions that affect how commanders will prevail in conflict."

At the start of a chapter on nuclear planning and targeting, the document quotes a cold war theorist, Herman Kahn, as saying: "My guess is that nuclear weapons will be used sometime in the next hundred years, but that their use is much more likely to be small and limited than widespread and unconstrained."

Kahn was a controversial figure. He argued that a nuclear war could be "winnable" and is reported to have provided part of the inspiration for Stanley Kubrick's film Dr Strangelove.

The Nuclear Operations document was taken down from the Pentagon online site after a week, and is now only available through a restricted access electronic library. But before it was withdrawn it was downloaded by Steven Aftergood, who directs the project on government secrecy for the Federation of American Scientists

A spokesman for the joint chiefs of staff said the document was removed from the publicly accessible defence department website "because it was determined that this publication, as is with other joint staff publications, should be for official use only".

In an emailed statement the spokesman did not say why the document was on the public website for the first week after publication.

Aftergood said the new document "is very much conceived as a war-fighting doctrine – not simply a deterrence doctrine, and that's unsettling".

He pointed out that, as an operational document by the joint chiefs rather than a policy documents, its role is to plan for worst-case scenarios. But Aftergood added: "That kind of thinking itself can be hazardous. It can make that sort of eventuality more likely instead of deterring it."

Alexandra Bell, a former state department arms control official said: "This seems to be another instance of this administration being both tone-deaf and disorganised."

Bell, now senior policy director at the Centre for Arms Control and Non-Proliferation, added: "Posting a document about nuclear operations and then promptly deleting it shows a lack of messaging discipline and a lack of strategy. Further, at a time of rising nuclear tensions, casually postulating about the potential upsides of a nuclear attack is obtuse in the extreme."

The doctrine has been published in the wake of the Trump administration's withdrawal from two nuclear agreements: the 2015 joint comprehensive programme of action with Iran, and the 1987 Intermediate-range Nuclear Forces treaty with Russia. The administration is also sceptical about a third: the New Start accord that limits US and Russian forces strategic nuclear weapons and delivery systems, which is due to expire in 2021.

Meanwhile, the US and Russia are engaged in multibillion-dollar nuclear weapon modernisation programmes. As part of the US programme, the Trump administration is developing a low-yield ballistic missile, which arms control advocates have said risks lowering the nuclear threshold, making conceivable that a nuclear war could be "limited", rather than inevitably lead to a global cataclysm.

The last nuclear operations doctrine, published during the George W Bush administration in 2005, also caused alarm. It envisaged pre-emptive nuclear strikes and the use of the US nuclear arsenal against all weapons of mass destruction, not just nuclear.

The Obama administration did not publish a nuclear operations doctrine but in its 2010 nuclear posture review it sought to downgrade the role of nuclear weapons in US military planning.

It renounced the Bush-era plan to build nuclear "bunker-buster" bombs, and ruled out nuclear attack against non-nuclear-weapon states, but it did not go as far towards disarmament as arms control activists had wanted or expected.

Annex 126

"Over 7,500 children killed or wounded in Yemen since 2013, U.N. report says", *CBS News*, 29 June 2019

Over 7,500 children killed or wounded in Yemen since 2013, U.N. report says

cbsnews.com/news/yemen-children-killed-wounded-over-7500-united-nations-report-says-2019-06-29

United Nations — More than 7,500 children have been killed or wounded in Yemen in the last 5 1/2 years as a result of airstrikes, shelling, fighting, suicide attacks, mines and other unexploded ordnance, according to a new United Nations report.

The report, which was released Friday by Secretary-General Antonio Guterres, said the killings and injuries were among 11,779 grave violations against children during the period between April 1, 2013 and Dec. 31, 2018. It said the figures are likely to be worse because monitoring Yemen has become increasingly difficult.

The conflict in the Arab world's poorest country began with the 2014 takeover of Yemen's capital Sanaa by Iranian-backed Houthi Shiite rebels, who toppled the government of Abed Rabbo Mansour Hadi. A Saudi-led coalition allied with Yemen's internationally recognized government has been fighting the Houthis since 2015.

Saudi-led airstrikes have hit schools, hospitals and wedding parties. The Houthis have used drones and missiles to attack Saudi Arabia and have targeted vessels in the Red Sea.

Civilians have borne the brunt of the conflict, which has killed thousands of people, created the world's worst humanitarian crisis, and brought Yemen to the brink of famine. According to the , 400,000 children are expected to suffer from severe acute malnutrition, the deadliest form of extreme hunger this year, an increase of 15,000 over 2017.

Virginia Gamba, the U.N. special representative for children in conflict, said that while some positive measures have been adopted by the warring parties, "the suffering of children in Yemen has worsened during the reporting period, becoming simply appalling."

- Tanker could spill 4 times more oil than Exxon Valdez
- Tanker full of oil decaying amid Yemen's civil war could blow up
- As war and disease ravage Yemen, $1.35 billion in aid isn't enough
- 48,000 Yemeni women could die giving birth as UN funds run out

"The children of Yemen had nothing to do with the start of this conflict," she said. "They should now be given the opportunity to exit from it and be assisted to fully recover."

Gamba called on all parties to the conflict and those who can influence them to "prioritize peace and actively engage in the ongoing peace negotiations."

According to the report, the largest number of violations against children in the 5 1/2 years were the 7,508 youngsters who were verified to have been killed or maimed. The recruitment and use of 3,034 children by the warring parties — including 1,940 by the Houthis and 274 by the government — was the second largest violation, it said.

The report also said 340 boys were verified to have been detained for their actual or alleged association with the warring parties.

It said only 11 incidents of rape and sexual violence were verified, explaining that the number remains under-reported "mainly for fear of stigmatization and lack of appropriate response services." The verification of abductions of children was also limited during the reporting period, with just 17 verified incidents, it said.

The report said the number of children denied access to humanitarian assistance sharply increased over the 5 1/2 years, "with catastrophic consequences." It said the U.N. verified 828 incidents where aid was denied.

The secretary-general's second report on children in Yemen's conflict also noted that attacks on schools and hospitals remained high, with 345 of the 381 that were verified causing the partial or total destruction of the building.

Of "great concern," the report said, is the verified military use of 258 schools, which is higher than the 244 schools that were attacked. The result is that thousands of boys and girls were prevented "safe access to education," it said.

Annex 127

Arms Control Association, "The Intermediate-Range Nuclear Forces (INF) Treaty at a Glance", August 2019

Fact Sheets & Briefs

armscontrol.org/factsheets/INFtreaty

Last Reviewed:

August 2019

Contact: Daryl Kimball*Executive Director*Kingston Reif*Director for Disarmament and Threat Reduction Policy*

The 1987 Intermediate-Range Nuclear Forces (INF) Treaty required the United States and the Soviet Union to eliminate and permanently forswear all of their nuclear and conventional ground-launched ballistic and cruise missiles with ranges of 500 to 5,500 kilometers. The treaty marked the first time the superpowers had agreed to reduce their nuclear arsenals, eliminate an entire category of nuclear weapons, and employ extensive on-site inspections for verification. As a result of the INF Treaty, the United States and the Soviet Union destroyed a total of short-, medium-, and intermediate-range missiles by the treaty's implementation deadline of June 1, 1991.

The United States first alleged in its July 2014 Compliance Report that Russia was in violation of its INF Treaty obligations "not to possess, produce, or flight-test" a ground-launched cruise missile having a range of 500 to 5,500 kilometers or "to possess or produce launchers of such missiles." Subsequent State Department assessments in 2015, 2016, 2017, and 2018 repeated these allegations. In March 2017, a top U.S. official confirmed press reports that Russia had begun deploying the noncompliant missile. Russia has denied that it is in violation of the agreement and has accused the United States of being in noncompliance.

On Dec. 8, 2017, the Trump administration released an integrated strategy to counter alleged Russian violations of the treaty, including the commencement of research and development on a conventional, road-mobile, intermediate-range missile system. On Oct. 20, 2018, President Donald Trump announced his intention to "terminate" the INF Treaty, citing Russian noncompliance and concerns about China's intermediate-range missile arsenal. On Dec. 4, 2018, Secretary of State Mike Pompeo announced that the United States found Russia in "material breach" of the treaty and would suspend its treaty obligations in 60 days if Russia did not return to compliance in that time. On Feb. 2, the Trump administration declared a suspension of U.S. obligations under the INF Treaty and formally announced its intention to withdraw from the treaty in six months. Shortly thereafter, Russian President Vladimir Putin also announced that Russia will be officially suspending its treaty obligations as well.

On Aug. 2, 2019, the United States formally withdrew from the INF Treaty.

Early History

U.S. calls for the control of intermediate-range missiles emerged as a result of the Soviet Union's domestic deployment of SS-20 intermediate-range missiles in the mid-1970s. The SS-20 qualitatively improved Soviet nuclear forces in the European theater by providing a longer-range, multiple-warhead alternative to aging Soviet SS-4 and SS-5 single-warhead missiles. In 1979, NATO ministers responded to the new Soviet missile deployment with what became known as the "dual-track" strategy: a simultaneous push for arms control negotiations with the deployment of intermediate-range, nuclear-armed U.S. missiles (ground-launched cruise missiles and the Pershing II) in Europe to offset the SS-20. Negotiations, however, faltered repeatedly while U.S. missile deployments continued in the early 1980s.

The INF Treaty prohibited all U.S. and Soviet missiles with ranges between 500 and 5,500 kilometers. The official figures above show missiles deployed November 1, 1987, shortly before the INF Treaty was signed. The treaty also required destruction of 430 U.S. missiles and 979 Soviet missiles which were in storage or otherwise not deployed. The treaty prevented the planned deployment of an additional 208 GLCMs in the Netherlands, Britain, Belgium, Germany, and Italy. The Pershing IAs, under joint U.S.-German control, were not formally covered by the INF Treaty but were also to be eliminated by U.S. and West German agreement.

INF Treaty negotiations began to show progress once Mikhail Gorbachev became the Soviet general-secretary in March 1985. In the fall of the same year, the Soviet Union put forward a plan to establish a balance between the number of SS-20 warheads and the growing number of allied intermediate-range missile warheads in Europe. The United States expressed interest in the Soviet proposal, and the scope of the negotiations expanded in 1986 to include all U.S. and Soviet intermediate-range missiles around the world. Using the momentum from these talks, President Ronald Reagan and Gorbachev began to move toward a comprehensive intermediate-range missile elimination agreement. Their efforts culminated in the signing of the INF Treaty on Dec. 8, 1987, and the treaty entered into force on June 1, 1988.

The intermediate-range missile ban originally applied only to U.S. and Soviet forces, but the treaty's membership expanded in 1991 to include the following successor states of the former Soviet Union: Belarus, Kazakhstan, and Ukraine, which had inspectable facilities on their territories at the time of the Soviet Union's dissolution. Turkmenistan and Uzbekistan also possessed INF Treaty-range facilities (SS-23 operating bases) but forgo treaty meetings with the consent of the other states-parties.

Although active states-parties to the treaty total just five countries, several European countries have destroyed INF Treaty-range missiles since the end of the Cold War. Germany, Hungary, Poland, and the Czech Republic destroyed their intermediate-range missiles in the 1990s, and Slovakia dismantled all of its remaining intermediate-range missiles in October 2000 after extensive U.S. prodding. On May 31, 2002, the last possessor of intermediate-range missiles in Eastern Europe, Bulgaria, signed an agreement with the United States to destroy all of its INF Treaty-relevant missiles. Bulgaria completed the destruction five months later with U.S. funding.

States-parties' rights to conduct on-site inspections under the treaty ended on May 31, 2001, but the use of surveillance satellites for data collection continues. The INF Treaty established the Special Verification Commission (SVC) to act as an implementing body for the treaty, resolving questions of compliance and agreeing on measures to "improve [the treaty's] viability and effectiveness." Because the INF Treaty is of unlimited duration, states-parties could convene the SVC at any time.

Elimination Protocol

The INF Treaty's protocol on missile elimination named the specific types of ground-launched missiles to be destroyed and the acceptable means of doing so. Under the treaty, the United States committed to eliminate its Pershing II, Pershing IA, and Pershing IB ballistic missiles and BGM-109G cruise missiles. The Soviet Union had to destroy its SS-20, SS-4, SS-5, SS-12, and SS-23 ballistic missiles and SSC-X-4 cruise missiles. In addition, both parties were obliged to destroy all INF Treaty-related training missiles, rocket stages, launch canisters, and launchers. Most missiles were eliminated either by exploding them while they were unarmed and burning their stages or by cutting the missiles in half and severing their wings and tail sections.

Inspection and Verification Protocols

The INF Treaty's inspection protocol required states-parties to inspect and inventory each other's intermediate-range nuclear forces 30 to 90 days after the treaty's entry into force. Referred to as "baseline inspections," these exchanges laid the groundwork for future missile elimination by providing information on the size and location of U.S. and Soviet forces. Treaty provisions also allowed signatories to conduct up to 20 short-notice inspections per year at designated sites during the first three years of treaty implementation and to monitor specified missile-production facilities to guarantee that no new missiles were being produced.

The INF Treaty's verification protocol certified reductions through a combination of national technical means (i.e., satellite observation) and on-site inspections—a process by which each party could send observers to monitor the other's elimination efforts as they occurred. The protocol explicitly banned interference with photo-reconnaissance satellites, and states-parties were forbidden from concealing their missiles to impede verification activities. Both states-parties could carry out on-site inspections at each other's facilities in the United States and Soviet Union and at specified bases in Belgium, Italy, the Netherlands, the United Kingdom, West Germany, and Czechoslovakia.

The INF Treaty's Slow Demise

Since the mid-2000s, Russia has raised the possibility of withdrawing from the INF Treaty. Moscow contends that the treaty unfairly prevents it from possessing weapons that its neighbors, such as China, are developing and fielding. Russia also has suggested that the proposed U.S. deployment of strategic anti-ballistic missile systems in Europe might trigger a Russian withdrawal from the accord, presumably so Moscow can deploy missiles targeting any future U.S. anti-missile sites. Still, the United States and Russia issued an Oct. 25, 2007, statement at the United Nations General Assembly reaffirming their "support" for the treaty and calling on all other states to join them in renouncing the missiles banned by the treaty.

Reports began to emerge in 2013 and 2014 that the United States had concerns about Russia's compliance with the INF Treaty. In July 2014, the U.S. State Department found Russia to be in violation of the agreement by producing and testing an illegal ground-launched cruise missile. Russia responded in August refuting the claim. Throughout 2015 and most of 2016, U.S. Defense and State Department officials had publicly expressed skepticism that the Russian cruise missiles at issue had been deployed. But an Oct. 19, 2016, report in *The New York Times* cited anonymous U.S. officials who were concerned that Russia was producing more missiles than needed solely for flight testing, which increased fears that Moscow was on the verge of deploying the missile. By Feb. 14, 2017, *The New York Times* cited U.S. officials declaring that Russia had deployed an operational unit of the treaty-noncompliant cruise missile now known as the SSC-8. On March 8, 2017, General Paul Selva, the vice

chairman of the U.S. Joint Chiefs of Staff, confirmed press reports that Russia had deployed a ground-launched cruise missile that "violates the spirit and intent" of the INF Treaty.

The State Department's 2018 annual assessment of Russian compliance with key arms control agreements alleged Russian noncompliance with the INF Treaty and listed details on the steps Washington has taken to resolve the dispute, including convening a session of the SVC and providing Moscow with further information on the violation.

The report says the missile in dispute is distinct from two other Russian missile systems, the R-500/SSC-7 Iskander GLCM and the RS-26 ballistic missile. The R-500 has a Russian-declared range below the 500-kilometer INF Treaty cutoff, and Russia identifies the RS-26 as an intercontinental ballistic missile treated in accordance with the New Strategic Arms Reduction Treaty (New START). The report also appears to suggest that the launcher for the allegedly noncompliant missile is different from the launcher for the Iskander. In late 2017, the United States for the first time revealed both the U.S. name for the missile of concern, the SSC-8, and the apparent Russian designation, the 9M729.

Russia denies that it breached the agreement and has raised its own concerns about Washington's compliance. Moscow charges that the United States is placing a missile defense launch system in Europe that can also be used to fire cruise missiles, using targets for missile defense tests with similar characteristics to INF Treaty-prohibited intermediate-range missiles, and making armed drones that are equivalent to ground-launched cruise missiles.

Congress for the past several years has urged a more assertive military and economic response to Russia's violation. The fiscal year 2018 National Defense Authorization Act (NDAA) authorized funds for the Defense Department to develop a conventional, road-mobile, ground-launched cruise missile that, if tested, would violate the treaty. The fiscal year 2019 NDAA also included provisions on the treaty. Section 1243 stated that no later than Jan. 15, 2019, the president would submit to Congress a determination on whether Russia is "in material breach" of its INF Treaty obligations and whether the "prohibitions set forth in Article VI of the INF Treaty remain binding on the United States." Section 1244 expressed the sense of Congress that in light of Russia's violation of the treaty, that the United States is "legally entitled to suspend the operation of the INF Treaty in whole or in part" as long as Russia is in material breach. For fiscal year 2020, the Defense Department requested nearly $100 million to develop three new missile systems that exceed the range limits of the treaty.

On Dec. 8, 2017 the Trump administration announced a strategy to respond to alleged Russian violations, which comprised of three elements: diplomacy, including through the Special Verification Commission, research and development on a new conventional ground-launched cruise missile, and punitive economic measures against companies believed to be involved in the development of the missile.

However, President Trump announced Oct. 20 that he would "terminate" the INF Treaty in response to the long-running dispute over Russian noncompliance with the agreement, as well as citing concerns about China's unconstrained arsenal of INF Treaty-range missiles. Trump's announcement seemed to take NATO allies by surprise, with many expressing concern about the president's plan.

After repeatedly denying the existence of the 9M729 cruise missile, Russia has since acknowledged the missile but denies that the missile has been tested or is able to fly at an INF Treaty-range.

On Nov. 30, U.S. Director of National Intelligence Daniel Coats provided further details on the Russian treaty violation. Coats revealed that the United States believes Russia cheated by conducting legally allowable tests of the 9M729, such as testing the missile at over 500 km from a fixed launcher (allowed if the missile is to be deployed by air or sea), as well as testing the same missile from a mobile launcher at a range under 500 km. Coats noted that "by putting the two types of tests together," Russia was able to develop an intermediate-range missile that could be launched from a "ground-mobile platform" in violation of the treaty.

On Dec. 4, Secretary of State Mike Pompeo announced that the United States found Russia in "material breach" of the treaty and would suspend its treaty obligations in 60 days if Russia did not return to compliance in that time. Though NATO allies in a Dec. 4 statement expressed for the first time the conclusion that Russia had violated the INF Treaty, the statement notably did not comment on Pompeo's ultimatum.

Russian President Vladimir Putin responded Dec. 5 by noting that Russia would respond "accordingly" to U.S. withdrawal from the treaty, and the chief of staff of the Russian military General Valery Gerasimov noted that U.S. missile sites on allied territory could become "targets of subsequent military exchanges." On Dec. 14, Reuters reported that Russian foreign ministry official Vladimir Yermakov was cited by RIA news agency as saying that Russia was ready to discuss mutual inspections with the United States in order to salvage the treaty. The United States and Russia met three more times after this, first in January in Geneva, on the sidelines of a P5 meeting in Beijing, and again in Geneva in July—all times to no new result.

On Feb. 2, President Trump and Secretary of State Pompeo announced that the United States suspended its obligations under the INF Treaty and will withdraw from the treaty in six months if Russia did not return to compliance. Shortly thereafter, Russian President Vladimir Putin also announced that Russia will be officially suspending its treaty obligations.

Six months later, on Aug. 2, the United States formally withdrew from the INF Treaty. In a statement, Secretary Pompeo said, "With the full support of our NATO Allies, the United States has determined Russia to be in material breach of the treaty, and has subsequently suspended our obligations under the treaty." He declared that "Russia is

solely responsible for the treaty's demise." A day later, U.S. Secretary of Defense Mark Esper said that he was in favor of deploying conventional ground-launched, intermediate-range missiles in Asia "sooner rather than later."

Annex 128

"US drone strike intended for Isis hideout kills 30 pine nut workers in Afghanistan",
***The Guardian*, 19 September 2019**

US drone strike intended for Isis hideout kills 30 pine nut workers in Afghanistan

theguardian.com/world/2019/sep/19/us-drone-strike-deaths-afghanistan-pine-nut-workers

Reuters in Jalalabad

19 septembre 2019

A US drone strike intended to hit an Islamic State hideout in Afghanistan has killed at least 30 civilians who were resting after harvesting pine nuts.

Forty people were also injured in the attack on Wednesday night which struck farmers and labourers who had just finished their day's work at the mountainous Wazir Tangi in eastern Nangarhar province, three Afghan officials told Reuters.

"The workers had lit a bonfire and were sitting together when a drone targeted them," tribal elder Malik Rahat Gul told Reuters by telephone from Wazir Tangi.

Afghanistan's defence ministry and a senior US official in Kabul confirmed the drone strike, but did not share details of civilian casualties.

"US forces conducted a drone strike against Da'esh [Isis] terrorists in Nangarhar," said Col Sonny Leggett, a spokesman for US forces in Afghanistan. "We are aware of allegations of the death of non-combatants and are working with local officials to determine the facts."

About 14,000 US troops are in Afghanistan, training and advising Afghan security forces and conducting counter-insurgency operations against Isis and the Taliban movement.

Haidar Khan, who owns the pine nut fields, said about 150 workers were there for harvesting, with some still missing as well as the confirmed dead and injured.

A survivor of the drone strike said about 200 labourers were sleeping in five tents pitched near the farm when the attack happened.

"Some of us managed to escape, some were injured but many were killed," said Juma Gul, a resident of north-eastern Kunar province who had travelled along with labourers to harvest and shell pine nuts this week.

Angry residents of Nangarhar province demanded an apology and monetary compensation from the US government.

"Such mistakes cannot be justified. American forces must realise [they] will never win the war by killing innocent civilians," said Javed Mansur, who lives in Jalalabad city.

Isis fighters first appeared in Afghanistan in 2014 and have since made inroads in the east and north where they are battling the government, US forces and the Taliban.

The exact number of Isis fighters is difficult to calculate because they frequently switch allegiances, but the US military estimates there are about 2,000.

There has been no let-up in assaults by Taliban and Isis as Afghanistan prepares for a presidential election this month.

In a separate incident, at least 20 people died in a suicide truck bomb attack on Thursday carried out by the Taliban in the southern province of Zabul.

Hundreds of civilians have been killed in fighting across Afghanistan after the collapse of US-Taliban peace talks this month. The Taliban has warned Donald Trump will regret his decision to abruptly call off talks that could have led to a political settlement to end the 18-year-old war.

The United Nations says nearly 4,000 civilians were killed or wounded in the first half of the year. That included a big increase in casualties inflicted by government and U-led foreign forces

Annex 129

"Iran hawks cement ties to former US-designated terrorist group", *Al Monitor*, 24 September 2019

Iran hawks cement ties to former US-designated terrorist group

al-monitor.com/pulse/originals/2019/09/iran-hawks-cement-ties-mek-uani-pompeo.html

September 24, 2019

Demonstrators rally to support a leadership change in Iran outside the UN headquarters in New York City, New York, US, Sept. 24, 2019. Photo by REUTERS/Shannon Stapleton.

United Against Nuclear Iran's CEO embraces the MEK as his group prepared to host Pompeo.

Sep 24, 2019

NEW YORK — Leading Iran hawks are increasingly open about their ties to a controversial opposition group, triggering Iranian retaliation and posing a quandary for the Donald Trump administration.

On the eve of the hawkish United Against Nuclear Iran's annual summit featuring Secretary of State Mike Pompeo, UANI CEO Mark Wallace Tuesday convened a gathering of Iranian opposition groups. The event was billed as an unprecedented gathering of diverse opposition groups, including Kurds, Balochs and Azerbaijanis.

"This is the first time in history, since the Iranian revolution in 1978 and 1979, that such a broad cross-section of the leaders and delegates from Iranian dissident ... groups have gathered in a convention for Iran's future," Wallace said. "This gathering demonstrates the willingness of many here today to set aside many of the disagreements of the past."

But attendance was dominated by the Mujaheddin-e-Khalq (MEK) and its allies. Iran

considers the MEK a terrorist group, as the United States did until 2012.

UANI denied any involvement with Tuesday's event and said Wallace convened it in his “personal capacity.” The program for the event at the Roosevelt Hotel, however, listed UANI as the organizer. UANI said that was an error.

The group may be reluctant to be seen as openly rooting for the MEK, which advocates for overthrowing the ruling clerics in Tehran and has critics even among Iranians who oppose Tehran. A Los Angeles-based Iranian American pro-democracy activist told Al-Monitor that people in that community had advised UANI against being involved in an event including the MEK and controversial ethnic separatist groups.

"Terrible choices," the activist said. "Many separatist groups [were invited] ... They [UANI] did not listen."

Several days ago, an umbrella group of several Iranian Kurdish political parties — including the Kurdistan Democratic Party-Iran (PDK-I), Democratic Party of Iranian Kurdistan (PDKI) and two branches of the left-wing Komala party — announced it would skip the event but did not offer a reason. The event had signs for several of the groups, but their seats were empty.

Openly embracing the MEK could also put the Trump administration in an uncomfortable spot. The administration does not officially support regime change, but recently stopped ruling out the MEK as a political alternative.

Regardless of UANI's denials, Al-Monitor spoke with several participants at the event who believed the group was involved. Tehran seems to think so as well, and announced Tuesday that it would be designating UANI a terrorist group following similar action against the hawkish Foundation for Defense of Democracies (FDD).

"On the one hand, the United States deceitfully speaks of compromise and negotiation," Iranian Foreign Ministry spokesman Seyyed Abbas Mousavi said Tuesday. "And on the other hand, it organizes, finances and arms criminal and terrorist groups ... and provides them with intelligence."

Jason Brodsky, UANI's policy director, denounced the remarks in a tweet from inside the Future of Iran conference: "First FDD is declared as a terrorist organization. Now, Iran's regime follows by declaring UANI a terrorist organization. The regime's war on research continues." He later wrote on Twitter that, like Wallace, he was attending in his personal capacity.

Minutes later, UANI's CEO invited to the stage Rudy Giuliani, Trump's lawyer and a longtime MEK advocate.

"I call them the regime of terror," Giuliani said to thunderous applause. "We're here today, and we're going to support a regime of freedom."

Laura Rozen contributed to this report.

Annex 130

Amnesty International, "Yemen: US-made bomb used in deadly air strike on civilians", 26 September 2019

Yemen: US-made bomb used in deadly air strike on civilians

amnesty.org/en/latest/news/2019/09/yemen-us-made-bomb-used-in-deadly-air-strike-on-civilians

26 September 2019, 02:00 UTC

A precision-guided munition made in the USA was used in a Saudi and Emirati-led air strike carried out on 28 June of this year, on a residential home in Ta'iz governorate, Yemen, killing six civilians – including three children, Amnesty International said today.

> It is unfathomable and unconscionable that the USA continues to feed the conveyor belt of arms flowing into Yemen's devastating conflict

The laser-guided bomb, manufactured by US company Raytheon and used in the attack, is the latest evidence that the USA is supplying weapons that are being used by the Saudi and Emirati-led coalition in attacks amounting to serious violations of international humanitarian law in Yemen.

"It is unfathomable and unconscionable that the USA continues to feed the conveyor belt of arms flowing into Yemen's devastating conflict," said Rasha Mohamed, Amnesty International's Yemen Researcher.

"Despite the slew of evidence that the Saudi and Emirati-led coalition has time and again committed serious violations of international law, including possible war crimes, the USA and other arms-supplying countries such as the UK and France remain unmoved by the pain and chaos their arms are wreaking on the civilian population."

Amnesty International spoke to two family members and two local residents, including two witnesses to the attack. The organization also analysed satellite imagery and photo and video materials of the aftermath of the attack to corroborate the witness reports.

> Despite the slew of evidence that the Saudi and Emirati-led coalition has time and again committed serious violations of international law, including possible war crimes, the USA and other arms-supplying countries such as the UK and France remain unmoved by the pain and chaos their arms are wreaking on the civilian population

The organization's arms expert analysed photos of the remnants of the weapon dug out from the site of the strike by family members and was able to use product data stencilled on the guidance fin to positively identify the bomb as a US-made 500 pound GBU-12 Paveway II.

A family ripped apart

Among the six civilians killed in the attack, which took place in Warzan village in the directorate of Khadir, were a 52-year-old woman and three children, aged 12, nine and six.

One family member told Amnesty International: “We buried them the same day because they had turned into severed limbs. There were no corpses left to examine. The flesh of this person was mixed with that person. They were wrapped up [with blankets] and taken away.”

One eyewitness told Amnesty International: “I was around three minutes’ walk away working at a neighbouring farm. I heard the plane hovering and I saw the bomb as it dropped towards the house. I was next to the house when the second bomb fell… and I got down onto the ground.”

The closest possible military target at the time of the attack was a Huthi Operations Room on Hayel Saeed Farm – approximately 1km away. However, that stopped operating more than two years ago after being struck by several coalition air strikes in 2016 and 2017. Witnesses told Amnesty International there were no fighters or military objectives in the vicinity of the house at the time of the attack.

> This attack highlights, yet again, the dire need for a comprehensive embargo on all weapons that could be used by any of the warring parties in Yemen

A second air strike occurred in the same spot approximately 15 minutes after the first, indicating that the pilot wanted to guarantee the destruction of the al-Kindi family’s house. The home was struck again five days later while family members were at the house inspecting the site. No one was injured or killed in the latter attack.

Since March 2015, Amnesty’s researchers have investigated dozens of air strikes and repeatedly found and identified remnants of US-manufactured munitions.

“This attack highlights, yet again, the dire need for a comprehensive embargo on all weapons that could be used by any of the warring parties in Yemen.” said Rasha Mohamed.

“Serious violations continue to take place under our watch, and it is as crucial as ever that investigative bodies, namely the UN-mandated Group of Eminent Experts, are fully empowered to continue documenting and reporting on these violations.

> Arms-supplying states cannot bury their heads in the sand and pretend they do not know of the risks associated with arms transfers to parties to this conflict who have been systematically violating international humanitarian law.

“Arms-supplying states cannot bury their heads in the sand and pretend they do not know of the risks associated with arms transfers to parties to this conflict who have been systematically violating international humanitarian law. ntentionally directing attacks

against civilians or civilian objects, disproportionate attacks and indiscriminate attacks that kill or injure civilians are war crimes.

By knowingly supplying the means by which the Saudi and Emirati-led Coalition repeatedly violates international human rights and international humanitarian law, the USA – along with the UK and France – share responsibility for these violations."

Background

A recent report by the Group of Eminent Experts on Yemen, established by the UN Human Rights Council, concluded that the repeated patterns of air strikes carried out by the coalition raise "a serious doubt about whether the targeting process adopted by the coalition complied with [the] fundamental principles of international humanitarian law."

The report further documents a range of serious violations and abuses by all sides to the conflict in Yemen – a conflict, which the UN states will have killed over 233,000 Yemenis by year end both as a result of the fighting and the humanitarian crisis. The UN Human Rights Council is slated to vote on the renewal of the Group of Eminent Experts today or tomorrow. Amnesty International, in coalition with other organizations, is urging states to support the Human Rights Council resolution extending and enhancing this group's mandate.

According to the Defence Security Cooperation Agency, in 2015 the US government authorized the sale of 6,120 Paveway guided bombs to Saudi Arabia; in May 2019, President Trump bypassed Congress to authorise further sales of Paveway guided bombs to Saudi Arabia and the United Arab Emirates.

Annex 131

M. Bazzi, "America is likely complicit in war crimes in Yemen. It's time to hold the US to account", *The Guardian*, 3 October 2019

America is likely complicit in war crimes in Yemen. It's time to hold the US to account

theguardian.com/commentisfree/2019/oct/03/yemen-airstrikes-saudi-arabia-mbs-us

Mohamad Bazzi

3 octobre 2019

ince Saudi Arabia and its allies intervened in Yemen's civil war in March 2015, the United States gave its full support to a relentless air campaign where Saudi warplanes and bombs hit thousands of targets, including civilian sites and infrastructure, with impunity. From the beginning, US officials insisted that American weapons, training and intelligence assistance would help the Saudis avoid causing even more civilian casualties.

But this was a lie meant to obscure one of the least understood aspects of US support for Saudi Arabia and its allies in Yemen: it's not that Saudi-led forces don't know how to use American-made weapons or need help in choosing targets. They have deliberately targeted civilians and Yemen's infrastructure since the war's early days – and US officials have recognized this since at least 2016 and done little to stop it.

A team of United Nations investigators, commissioned by the UN Human Rights Council, presented a devastating report in Geneva in early September detailing how the US, along with Britain and France, are likely complicit in war crimes in Yemen because of continued weapons sales and intelligence support to the Saudis and their allies, especially the United Arab Emirates.

Despite pressure from Saudi Arabia, the Human Rights Council voted last Thursday to extend its investigation.

If the council pursues an aggressive investigation based on the 274-page report, the world might finally see some accountability for war crimes committed in Yemen over the past five years. The report's authors submitted a secret list of individuals who may be responsible for war crimes to the UN human rights commissioner, Michelle Bachelet, but it's unclear if that list includes any western officials. The report said third states that have influence on Yemen's warring parties – including the US, Britain, France and Iran – "may be held responsible for providing aid or assistance for the commission of international law violations".

American complicity in the Yemen war goes beyond providing training and intelligence support, and selling billions of dollars in weapons to the UAE and Saudi Arabia, which has become Washington's largest weapons buyer. The US is looking the other way while its allies commit war crimes and avoid responsibility for instigating the world's worst humanitarian crisis

The full scope of human suffering in Yemen has been partly obscured because the UN stopped updating civilian deaths in January 2017, when the toll reached 10,000. And while the actual death toll is far higher, many news reports still rely on the outdated UN figures.

In June, an independent monitoring group, the Armed Conflict Location & Event Data Project, released a report detailing more than 90,000 fatalities since the war began in 2015.

In April, the United Nations Development Programme issued a report warning that the death toll in Yemen could rise to 233,000 by the end of 2019 – far higher than previous estimates. That projection includes deaths from combat as well as 131,000 indirect deaths due to the lack of food, health crises such as a cholera epidemic, and damage to Yemen's infrastructure.

Beyond the moral reasons for the US to help end Yemenis' suffering, the conflict has also harmed American interests in the region. The Yemen war has created new instability in the wider Middle East, and increased tensions between regional rivals Iran and Saudi Arabia. The Saudis and their allies support Yemen's internationally recognized government, while Iran supports the Houthi rebels, who took control of the country's major cities in 2014.

On 14 September, the Houthis claimed responsibility for attacks on two major oil installations in Saudi Arabia, saying they were retaliation for the Saudi bombing of Yemen. But Saudi leaders and Donald Trump's administration blamed Iran for the attacks, without providing direct evidence. Trump has threatened to carry out military strikes and impose additional sanctions against Tehran, after he unilaterally withdrew the US from an international agreement signed in 2015 that limited Iran's nuclear program.

For its part, Saudi Arabia quickly invited American and UN experts to help investigate the attacks on its oil facilities. Ironically, Saudi officials have refused to cooperate with most international investigations of their actions in Yemen, including the recent UN report that found the kingdom and its allies likely committed war crimes.

Like previous investigations by human rights groups and journalists, the UN report documented how the Saudi-led coalition has killed thousands of civilians in airstrikes; intentionally starved Yemenis as a war tactic; and imposed a naval and air blockade on Houthi-controlled areas that has drastically limited deliveries of humanitarian aid. The report also found that the Houthis likely committed war crimes by planting landmines, deploying siege tactics against several cities, using child soldiers and indiscriminately bombing civilian areas.

Despite years of warnings from groups like Human Rights Watch and UN investigations that documented growing evidence of war crimes in Yemen, US officials – first under Barack Obama's administration and then under Trump – continued to approve

weapons sales to the Saudi and Emirati militaries. US officials realized as far back as 2016 that senior Saudi and UAE leaders were not interested in reducing civilian deaths in Yemen, according to two members of the Obama administration who gave little-noticed testimony before Congress in early March.

Speaking to the House subcommittee on the Middle East, North Africa and international terrorism, the former officials – Dafna Rand, an ex-deputy assistant secretary of state, and Jeremy Konyndyk, the former director of the Office of US Foreign Disaster Assistance – outlined how US officials helped the Saudis choose their targets in Yemen, created "no-strike" lists and sent trainers to reduce civilian harm.

"We came to the conclusion by late 2016 that although there were very many well-meaning and professional generals in the Saudi ministry of defense, there was a lack of political will at the top senior levels to reduce the number of civilian casualties," Rand told the committee

Saudi and allied warplanes have conducted more than 20,000 airstrikes on Yemen since the war began, an average of 12 attacks a day, according to the Yemen Data Project. Only about a third of these attacks are on military targets. The coalition has also bombed hospitals, schools, markets, mosques, farms, factories, bridges, and power and water treatment plants.

One of the most persistent false arguments advanced by Trump administration officials against efforts to end US involvement in Yemen is that the Saudis need American support and training to prevent even more civilians deaths. But the latest UN report belies that argument, showing the Saudis have not done any credible investigations into their attacks on civilians or taken enough measures to minimize casualties, even with US and British training.

In fact, the UN findings reinforce revelations from a recent UK case brought by anti-war campaigners. A UK court of appeal ruled that British arms sales to Saudi Arabia were illegal. Documents presented during the case showed that, despite the British government's claims, Saudi bombings of civilian targets took place within days after the UK provided training to the Saudi air force.

Despite the mounting evidence of war crimes, Trump still firmly supports Mohammed bin Salman, the ruthless Saudi crown prince who is an architect of the Yemen war. Since April, Trump has used his veto power four times to prevent Congress from withdrawing US military support and ending weapons sales to Saudi Arabia and its allies. Congress could not muster enough votes to override Trump's vetoes.

The latest UN investigation, which found the US is likely complicit in war crimes, should give new momentum to the majority in Congress that wants to end American involvement in a disastrous conflict.

Mohamad Bazzi, a journalism professor at New York University, is a former Middle East bureau chief at Newsday. He is writing a book on the proxy wars between Saudi Arabia and Iran

Annex 132

"Zarif terms presence of US in region a 'failed experience'", *IRNA*, 12 October 2019

Zarif terms presence of US in region a "failed experience"

en.irna.ir/news/83513988/Zarif-terms-presence-of-US-in-region-a-failed-experience

October 12, 2019

Tehran, Oct 12, IRNA – Foreign Minister Mohammad Javad Zarif believes that regional problems will be resolved only through the states in the region, not via foreign presence.

Speaking to the Turkish international news channel-TRT World, Zarif censured the US presence in the region for over three decades.

"The Americans have been here for 30 some years with huge military buildup and even before that through proxies."

"That's a failed experience."

About Iran's measures to ensure regional security, Zarif said Iranian President Hassan Rouhani presented a plan in the recent session of the [UN] General Assembly [in New York] in which he called on all eight countries in the Persian Gulf region to join in an attempt to bring peace through dialogue called HOPE which is acronym for Hormuz Peace [Endeavor] and we hope that it can proceed."

As Zarif believes, the "HOPE" initiative "can be discussed and further can be enriched by our neighbors."

"I mean if we're talking about how realistic it is. This is certainly not realistic because we've experimented it and we've all failed."

"Now it's another experiment others have done it through engagement through cooperation we see that in Europe where we had all those wars now countries in Europe cannot even think of war because they have had economic integration they have had confidence-building measures."

Asked about the reason behind the US President Donald Trump's May 2018 withdrawal from the Iran Deal, Zarif said, "I think because he was misled to believe that this was a bad deal by those who did not want to have a deal at any rate. I think he listened to the wrong guys."

Then asked whether the July 2015 nuclear deal is salvageable, Zarif replied that the "deal is in the interest of the international community".

"..., but I think for our European partners in the deal, they should do more in order to salvage their own integrity in order to salvage the fact that they want to live as independent grouping of states.

"I think Iran can live without the nuclear deal, but can Europe live with the impression that it's not a reliable partner in any deal that you want to make with Europe you have to make it with the United States.

The United States is living with it because the United States has basically pushed the rest of the world into simply accepting its bullying. But can Europe live with this?

"Not without the nuclear deal but with the perception in the world that you don't need to deal with the United States because Europe will tag along whatever the US does Europe will not be able to change it whether it's for better or for worse."

When TRT correspondent asked about Zarif's personal thought of President Trump, the Iranian foreign minister said "I think it is up to the American people to have thoughts about their leaders but as representing a government which has to deal with other governments, I believe President Trump does not want to go to war, he does not want to escalate tension but he has an impression that through pressure he can achieve his goals.

"I think it may have worked in real estate, but it doesn't work in dealing with other countries. It certainly doesn't work in dealing with a country with seven millennia of civilization."

Elaborating on Iran's deterrent policy, Zarif said Iran never starts any war.

"We have a history of at least 250 years of defending ourselves not initiating anymore, we defend ourselves if there is an encroachment on our sovereignty and our territorial integrity, we defend ourselves but we believe in a war everybody loses, there are no winners in a war a one side will lose less and the other side will lose more that's how we compare winning and losing in a war nobody wins and nobody in the right mind should go for a war but we won't escape a war if there is a war imposed on us."

"The only way to deal with it is to fight it."

At the end, the foreign minister pointed to the UK PM's comments on JCPOA, saying, "That was basically an off-the-cuff remark which was never repeated by the British [PM].

The JCPOA stands for the Joint Comprehensive Plan of Action between Iran and the world powers.

"I think the British [PM] knows that a better deal cannot be made, we might all have ideas about a better deal, but believe me those ideas came to our minds during the negotiations.

"We had the best negotiations from all sides, but the problem is what the beauty of negotiations is that nobody gets all they want in a negotiation, but we found out through discussions that we were not capable of resolving all these problems, so we concentrated

on what we could have addressed the fact that we did not address certain issues at the end of the day does not mean that we neglected them.

"It means that we had a realistic appreciation that if we wanted to address those issues we wouldn't even be able to address the one issue that we were able to address."

Annex 133

"Iran's Qassem Soleimani killed in US air raid at Baghdad airport", *Al Jazeera*, 3 January 2020

Iran's Qassem Soleimani killed in US air raid at Baghdad airport

aljazeera.com/news/2020/01/iraq-3-katyusha-rockets-fired-baghdad-airport-200102232817666.html

General Qassem Soleimani, the head of Iran's elite Islamic Revolutionary Guard Corps' (IRGC's) Quds Force, and architect of its regional security apparatus, has been killed following a US air raid at Baghdad's international airport on Friday.

The White House and the Pentagon confirmed the killing of Soleimani in Iraq, saying the attack was carried out at the direction of US President Donald Trump and was aimed at deterring future attacks allegedly being planned by Iran.

A three-day national mourning period has been declared in Iran in honour of Soleimani.

Iranian Leader Ayatollah Ali Khamenei paid tribute to him as a "martyr", and vowed a "vigorous revenge is waiting for the criminals."

Iranian President Hassan Rouhani echoed the Supreme Leader's threat of "revenge", while Foreign Minister Javad Zarif condemned the killing as an "act of international terrorism."

"The US bears responsibility for all consequences of its rogue adventurism," Zarif wrote on social media.

Iraqi officials and the state television reported that aside from Soleimani, Iraqi militia commander Abu Mahdi al-Muhandis was also killed in the pre-dawn raid.

Iran's IRGC as well as Iraq's Popular Mobilisation Forces (PMF) umbrella grouping of Iran-backed militias, also confirmed the deaths of Soleimani and al-Muhandis.

The Pentagon said that the killing of Soleimani was carried out at the direction of US President Trump [Iraqi Prime Minister Press Office via AP]

Sources from the PMF earlier told Al Jazeera that the rockets destroyed two vehicles carrying "high-profile guests", who had arrived at the Baghdad airport and were being escorted by militia members. Earlier reports said five other people were killed in the raid.

Al Jazeera's Osama Bin Javaid, reporting from Baghdad, said the deaths are a significant turning point in Iraq and the entire Middle East.

He said the region has already been "on edge" since the US attack on PMF forces near Iraq's border with Syria, and the protests at the US Embassy in Baghdad on Tuesday.

"This is a major blow on the relationship between the United States and the Iraqi government," bin Javaid said. "It is a very precarious situation in which this significant development is taking place."

> The US' act of international terrorism, targeting & assassinating General Soleimani—THE most effective force fighting Daesh (ISIS), Al Nusrah, Al Qaeda et al—is extremely dangerous & a foolish escalation.
>
> The US bears responsibility for all consequences of its rogue adventurism.
>
> — Javad Zarif (@JZarif) January 3, 2020

Trump posted an image of the American flag on social media following the news of Soleimani's death.

US Senator Lindsey Graham, an ally of Trump, said the death of Soleimani is a "major blow to Iranian regime that has American blood on its hands."

Meanwhile, US Senator Chris Murphy, an opposition member of the Senate Foreign Relations Committee, warned that the incident could set off "a potential massive regional war".

In an interview with Al Jazeera, former US Assistant Secretary of Defense Lawrence Korb said "there is no doubt" that the US wanted to target Soleimani "for a while".

Korb predicted that Iran could retaliate by launching "asymmetric type of attacks" that do not risk an all-out confrontation with the US.

Iraqi officials and the state television reported that aside from Soleimani, Iraqi militia commander Abu Mahdi al-Muhandis was also killed in the pre-dawn raid [Ahmad al-Rubaye/AFP]

Hillary Mann Leverett, a former White House National Security official, said the US killing of Soleimani is a "declaration of war" on Iran.

"Americans throughout the region need to be on guard. We are now in an incredibly dangerous situation. It is an incredibly dangerous course that we are on," Leverett told Al Jazeera.

Killing Soleimani is equivalent to the Iranians "assassinating" the US defence secretary, or the commander of the US Central Command, she added.

"The president has taken this decision without debate in Congress, without any Congressional authority, it is probably an illegal act within the US domestic context."

In Tehran, Soleimani's death sent shockwaves among residents, who were awake when the news was announced, according to Al Jazeera's Dorsa Jabbari, who was reporting from the Iranian capital.

"With the news of his assassination, there is a tremendous amount of shock and anger that could follow, not only in Iran but across the Middle East," she said.

"His name is synonymous to Iranian national pride, no matter how he has been labelled outside of the country," Jabbari said, adding that hymns of mourning are being played on Iranian radio to mark Soleimani's death.

Witnesses near Baghdad airport earlier told Al Jazeera that they heard sounds of sirens and helicopters in the air following the attack that killed Soleimani and al-Muhandis.

The area where the incident took place has been cordoned off, authorities told Al Jazeera, but the international airport remains in operation.

The incident took place near the base of the US-led coalition forces.

The attack occurred amid tensions with the US after an Iran-backed militia and its supporters breached the United States's Embassy in Baghdad.

The protests at the embassy on New Year's Eve was in response to a deadly US air attack that killed 25 forces of the PMF, also known as the Hashd al-Shaabi group.

SOURCE: Al Jazeera and news agencies

Annex 134

"Envoy terms IRGC commander's terror as 'terrorist, criminal act'", *IRNA*, 4 January 2020

Envoy terms IRGC commander's terror as "terrorist, criminal act"

en.irna.ir/news/83619559/Envoy-terms-IRGC-commander-s-terror-as-terrorist-criminal-act

January 4, 2020

New York, Jan 4, IRNA - Iran's Ambassador and Permanent Representative to the United Nations Majid Takht Ravanchi in a letter to the international body described the assassination of IRGC's Quds Force Commander Lieutenant General Qasem Soleimani as a terrorist act.

"At the same time, it is incumbent upon the Security Council to uphold its responsibilities and condemn this unlawful criminal act, taking into account the dire implications of such military adventurism and dangerous provocations by the United States on international peace and security," the letter reads.

Iraqi media quoted official resources as saying that the Lieutenant General Soleimani and the acting commander of the Iraqi Popular Mobilization Units (PMU) - known as the Hash al-Shaabi - Abu Mahdi Al-Mohandes, who were separately leaving Baghdad airport in two cars were targeted and assassinated.

Iraqi media said the US helicopters targeted both cars.

The full text of Iranian envoy's letter is as follows:

In the name of God, the Most Compassionate, the Most Merciful

Excellency,

I am writing to you regarding the terrorist attack by the armed forces of the United States of America which led to the horrific assassination of Major General Qasem Soleimani, the Commander of the Quds Force of the Islamic Revolutionary Guard Corps -- an official branch of the armed forces of the Islamic Republic of Iran --, and his companions on 3 January 2020 at the Baghdad International Airport.

In recent years and in accordance with the obligations of the Islamic Republic of Iran under international law and relevant resolutions of the Security Council on combating international terrorism, Major General Qasem Soleimani had played a significant role in helping the peoples and Governments of some regional countries, at their request, in combatting and defeating the most dangerous terrorist groups, such as Daesh, and other terrorist groups and entities designated by the United Nations Security Council.

This was widely and repeatedly acknowledged by the officials of the countries concerned.

Conducted "at the direction of the President" of the United States, the assassination of Major General Qasem Soleimani, by any measure, is an obvious example of State terrorism and, as a criminal act, constitutes a gross violation of the fundamental principles of international law, including, in particular, those stipulated in the Charter of the United Nations and thus entails the international responsibility of the United States.

If anything, this unlawful and yet adventuristic act clearly invalidates the claim of the United States that it is fighting terrorism. It is, in fact, fighting those who combat terrorists.

Such a hypocritical policy -- which also runs counter to the international obligations of the United States on combating international terrorism, including those arising from the relevant resolutions of the Security Council -- seriously undermines regional and global efforts in combating international terrorism.

Designation, by one State, of an official branch of the armed forces of other State(s) as a so-called "Foreign Terrorist Organization" constitutes a breach of generally recognized principles of international law and of the Charter of the United Nations, including the principle of sovereign equality of States, and cannot, under any circumstances, justify any threat or use of force against them, including in the territory of other States.

Categorically rejecting all reasoning and references made by the officials of the United States for justifying the criminal assassination of Martyr Major General Qasem Soleimani, and condemning this heinous crime in the strongest possible terms, the Islamic Republic of Iran reserves all of its rights under international law to take necessary measures in this regard, in particular in exercising its inherent right to self-defense.

This extremely provocative move was aimed at escalating tensions to an uncontrollable level in a region already facing numerous challenges, and it is self-evident that the United States shall bear full responsibility for all consequences.

At the same time, it is incumbent upon the Security Council to uphold its responsibilities and condemn this unlawful criminal act, taking into account the dire implications of such military adventurism and dangerous provocations by the United States on international peace and security.

Finally, I must stress that the Iranian armed forces, especially the Quds Force of the Islamic Revolutionary Guard Corps -- that have consistently been at the forefront of the

fight against terrorism and extremism in the region -- are determined, in line with the rights and obligations of the Islamic Republic of Iran under international law, to vigorously continue the path of Martyr Major General Qasem Soleimani in combating terrorist groups in the region until they are uprooted completely.

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