

بِسْمِ اللَّهِ الرَّحْمَنِ الرَّحِيمِ

ARTICLES OF AGREEMENT

INTERNATIONAL ISLAMIC LIQUIDITY MANAGEMENT
CORPORATION

25 October 2010

Kuala Lumpur, Malaysia

CONTENTS

PREAMBLE

CHAPTER 1

ESTABLISHMENT, JURIDICAL, PERSONALITY, HEADQUARTERS,
OBJECTIVES, FUNCTIONS AND POWERS

- Article 1. Establishment
- Article 2. Juridical personality
- Article 3. Headquarters and offices
- Article 4. Objectives
- Article 5. Functions
- Article 6. Powers

CHAPTER II

MEMBERSHIP

- Article 7. Membership
- Article 8. Admission to membership
- Article 9. Rights, duties and responsibilities of members

CHAPTER III

CAPITAL

- Article 10. Authorized and subscribed share capital
- Article 11. Subscription of shares
- Article 12. Payment of subscriptions
- Article 13. Restrictions on transfers and pledge of shares
- Article 14. Limitation of liability
- Article 15. Other resources

CHAPTER IV
ORGANIZATION AND MANAGEMENT

- Article 16. Structure
- Article 17. The General Assembly
- Article 18. The Governing Board
- Article 19. The Governing Board: Powers
- Article 20. The Governing Board: Procedures
- Article 21. The Board Executive Committee: Composition
- Article 22. The Board Executive Committee: Powers
- Article 23. Chief Executive Officer, officers and staff
- Article 24. *Shari'ah* Committee

CHAPTER V
PRIVILEGES AND IMMUNITIES

- Article 25. Privileges and immunities

CHAPTER VI
**WITHDRAWAL AND SUSPENSION OF MEMBERS, AND SUSPENSION
AND TERMINATION OF OPERATIONS**

- Article 26. Right of withdrawal
- Article 27. Suspension of membership
- Article 28. Rights and duties on cessation of membership
- Article 29. Suspension of operations
- Article 30. Termination of operations
- Article 31. Obligations of members and payments of claims
- Article 32. Distribution of assets

CHAPTER VII

AMENDMENTS, INTERPRETATION AND DISPUTE SETTLEMENT

- Article 33. Amendments
- Article 34. Languages, interpretation and application
- Article 35. Dispute settlement

CHAPTER VIII

GENERAL PROVISIONS

- Article 36. Financial year
- Article 37. Dividends
- Article 38. Publication of Annual Reports and Circulation of Reports
- Article 39. Secrecy of deposits
- Article 40. Waiver
- Article 41. Financial and other assistance
- Article 42. Authority to discharge of duties
- Article 43. Execution of documents by members
- Article 44. Governing law
- Article 45. General rules and by-laws
- Article 46. Entry into force
- Article 47. Commencement of operations
- Article 48. Conditional/Unconditional parties

Bismillahirrahmanirrahim

Allahumma salli wasallim 'ala Sayyidina Muhammad wa'ala ālihi wasahbihi

THE ARTICLES OF AGREEMENT

THE INTERNATIONAL ISLAMIC LIQUIDITY MANAGEMENT CORPORATION

THE CENTRAL BANKS; MONETARY AUTHORITIES; FINANCIAL REGULATORY AUTHORITIES OR GOVERNMENT MINISTRIES OR AGENCIES THAT HAVE REGULATORY OVERSIGHT ON FINANCE OR TRADE AND COMMERCE; AND MULTILATERAL ORGANIZATIONS

ON WHOSE BEHALF THIS ARTICLES OF AGREEMENT IS SIGNED

BEING in agreement on the need to establish an entity to provide sufficient supply of high quality *Sharī'ah*-compliant instruments to facilitate efficient and effective liquidity management solutions for the Institution offering Islamic Financial Services (IIFS) at national level and across borders in an integrated fashion;

CONSIDERING that such objective can best be achieved through mutual co-operation among the Parties in order to promote the development of robust *Sharī'ah*-compliant liquidity management frameworks at national and international levels;

DO HEREBY AGREE AS FOLLOWS:

CHAPTER I
ESTABLISHMENT, JURIDICAL PERSONALITY, HEADQUARTERS,
PURPOSE, FUNCTIONS AND POWERS

1. Establishment

The International Islamic Liquidity Management Corporation (hereinafter referred to as “the IILM”) is hereby established as a supranational institution limited by shares with such objectives, functions and powers as provided in these Articles of Agreement.

2. Juridical personality

The IILM shall have full juridical personality separate from its members and shall have perpetual succession and a common seal and, in particular, full capacity:

- (a) to contract;
- (b) to acquire and dispose of asset and/or property; and
- (c) in its own name to sue or otherwise institute legal proceedings and to be sued.

3. Headquarters and offices

- 3.1 The headquarters of the IILM shall be located in Kuala Lumpur, Malaysia.

- 3.2 The Governing Board may establish offices of the IILM in any other countries.

4. Objectives

The primary objectives of the IILM shall be to:

- (a) Facilitate cross-border liquidity management among the IIFS by making available a variety of *Sharī'ah*-compliant instruments, on commercial terms, to suit the varying liquidity needs of the IIFS;
- (b) Foster regional and international co-operation to build robust liquidity management infrastructure at national, regional and international levels; and
- (c) Any other objectives as the Governing Board may propose and agreed upon by the General Assembly.

5. Functions

The IILM shall have the following functions:

- (i) to procure any *Sharī'ah*-compliant asset or property in any manner as may be agreed between the IILM and the members;
- (ii) to create a pool of asset or property to facilitate the issuance of *Sharī'ah*-compliant financial instruments;
- (iii) to issue *Sharī'ah*-compliant financial instruments for liquidity management needs of IIFS;

- (iv) to complement national level monetary and public debt management and Islamic money markets through issuance of *Sharī'ah*-compliant financial instruments;
- (v) to assist in creating an enabling environment to foster the regional and global Islamic financial market integration; and
- (vi) such other functions as may advance its objectives as set out in Article 4, as determined by the General Assembly from time to time.

6. Powers

6.1 The IILM shall have the following powers which shall be exercised in order to meet its objectives or carry out its functions:

- (i) to issue *Sharī'ah*-compliant financial instruments and to receive such amount of funds or money arising from such issuance;
- (ii) to acquire, purchase, take, hold and enjoy any asset or property and may convey, assign, surrender, charge, mortgage, lease, rent, reassign, transfer or otherwise dispose of, or deal with, any tangible property or any interest vested in the IILM upon such terms as the IILM deems fit;
- (iii) to invest, purchase, sell or repurchase, lend, borrow or otherwise deal in any manner in accordance with *Sharī'ah* in any *Sharī'ah*-compliant financial instruments;
- (iv) to establish such subsidiaries, special purpose entity or trusts in any part of the world to fulfill its objectives or for the carrying out of any of its functions;

- (v) to borrow or raise or secure or receive such moneys or financing in any manner in accordance with *Sharī'ah* as it may require from time to time;
 - (vi) to open and maintain accounts and deposit monies with any central bank, monetary authority, international financial institution, banks or other financial institutions;
 - (vii) to draw, make, accept, endorse, execute and issue any *Sharī'ah*-compliant financial instruments;
 - (viii) to act as agent of any member which has requested for such agency arrangement with the IILM.
 - (ix) to establish an agency or appoint any person (whether a member or otherwise) as its employee, advisor, delegate, attorney or agent; and
 - (x) to do all such things or carry out any business or activity incidental to or conducive to the attainment of its objectives and the exercise of its functions.
- 6.2 Any operations of the IILM or any of its subsidiaries, special purpose entities or trusts for its or their own account shall only be carried out in currencies deemed suitable by the Governing Board.
- 6.3 The IILM shall be administered with particular regard to maintaining its liquidity, and for this purpose shall itself or through its subsidiaries, special purpose entities or trusts, retain such *Sharī'ah*-compliant assets appropriate to the maturity and character of its liabilities as may be determined by the Governing Board.

- 6.4 The IILM may offer technical assistance or advisory services to its members or prospective members on matters relevant to its objectives or functions as the Governing Board may deem appropriate.

CHAPTER II MEMBERSHIP

7. Membership

The membership of the IILM shall be available to any central banks, monetary authorities, financial regulatory authorities or governmental ministries or agencies that have regulatory oversight on finance or trade and commerce; or multilateral organizations as the Governing Board shall approve from time to time upon application for membership by that institution.

8. Admission to membership

- 8.1 Each signatory to these Articles of Agreement is hereby admitted as a member of the IILM and shall be bound by these Articles of Agreement without the need to execute the membership agreement referred to in Article 8.4.
- 8.2 Any institution referred to in Article 7 which has not become a member under Article 8.1 may make an application to be a member of the IILM by submitting an application to the Chief Executive Officer who shall make a recommendation to the Governing Board at its next meeting whether or not to admit the applicant.
- 8.3 The Governing Board shall, upon the recommendation of the Chief Executive Officer, approve or reject any application made under Article 8.2 and the IILM shall, as soon as practicable thereafter, notify the applicant the result of its application.

8.4 Where such application is approved, the applicant shall be admitted as a member of the IILM on the date of the execution of a membership agreement acceding to this Articles of Agreement.

9. Rights, duties and responsibilities of members

9.1 Each member of the IILM shall have the following rights:

- (a) to receive notice of, be represented, to participate and to vote, in any meeting of the General Assembly. Each member shall have one vote at the meeting of the General Assembly notwithstanding the amount of shares it holds;
- (b) to receive dividends in respect of their shareholding in IILM as the General Assembly shall agree which shall not exceed the amount recommended by the Governing Board;
- (c) to receive repayment of capital in a winding-up of the IILM as provided for in Article 32.
- (d) to participate in the issuance of *Sharī`ah*-compliant financial instruments by the IILM or any of its subsidiaries, special purpose entities or trusts —
 - (i) as an investor of the *Sharī`ah*-compliant financial instruments; or
 - (ii) as an asset provider by transferring or otherwise making available to the IILM or any of its subsidiaries, special purpose entities or trusts in any manner as may be agreed between the IILM and the member such amount, form or value of eligible *Sharī`ah*-compliant assets from time to time;

- (e) to request the IILM to issue itself or through its subsidiaries, special purpose entities or trusts, *Sharī'ah*-compliant financial instrument for liquidity management as may be mutually agreed between the member and the IILM;
- (f) to nominate financial institutions licensed within its jurisdiction as principal dealers for IILM; and
- (g) such other rights as may be specified herein or determined from time to time by the General Assembly.

9.2 Each member shall have the duty to pay in full to the IILM the value of the shares subscribed by it in accordance with Article 12.

9.3 Each member which is a central bank, a monetary authority or a government ministry or agency that has regulatory oversight of financial institutions shall endeavour to undertake the following:

- (a) to consider, subject to the local policy and legal requirements of the member country, recognizing any *Sharī'ah*-compliant financial instruments issued by the IILM or any of its subsidiaries, special purpose entities or trusts —
 - (i) as eligible liquid assets for the purpose of liquidity management by a financial institution within its jurisdiction; and
 - (ii) as acceptable collateral for short term financing to be given by it to a financial institution under its regulation or any other institutions that it shall approve to meet temporary liquidity need of those institutions;

- (b) to consider, on a mutually agreed basis between the IILM and any member, taking such steps or actions or providing such financial or other supports or guarantee, as may be necessary for any *Sharī'ah*-compliant financial instruments issued by the IILM or any of its subsidiaries, special purpose entities or trusts to secure the desired rating;

- (c) on mutually agreed basis between the IILM and the member, to consider liaising with the relevant authorities in their jurisdictions to confer, according to local legislation, privileges and immunities as would be accorded to an international organization to the IILM, including (in the case of (i), (ii) and (iii) below, in their official capacity) to:
 - (i) the members of the IILM and their representatives;

 - (ii) the members of the IILM constituent organs and their representatives;

 - (iii) the members of the Board Executive Committee, the Chief Executive Officer, other officers and staff of the IILM, and

 - (iv) such subsidiaries, special purpose entities or trusts as are established to fulfill the objectives or for the carrying out of any functions of the IILM,

in each case substantially on the terms as provided in Chapter V of these Articles of Agreement; and

- (d) to consider listing the *Sharī'ah*-compliant financial instruments issued by the IILM or any of its subsidiaries, special purpose entities or trusts on the securities exchange within its jurisdiction.

CHAPTER III CAPITAL

10. Authorized and subscribed share capital

- 10.1 The authorized share capital of the IILM shall be one billion dollars of the United States of America (USD1,000,000,000) which shall be divided into one thousand (1,000) shares having a par value of one million dollars of the United States of America (USD 1,000,000.00) each.
- 10.2 If the Governing Board determines that additional capital is required, it may make a recommendation to the General Assembly, and upon such recommendation, the General Assembly may, by a decision of a simple majority of all members of the General Assembly, decide that the IILM shall issue new shares in accordance with Article 11.2.
- 10.3 The General Assembly may, upon the recommendation of the Governing Board, increase the authorized share capital of the IILM at such time and upon such terms and conditions, as the General Assembly may deem appropriate, by a decision of a two-thirds majority of all members of the General Assembly.
- 10.4 All shares initially subscribed by each signatory to these Articles of Agreement shall be issued at their par value. All shares issued to a new member admitted under Article 8.4 or issued pursuant to Article 10.2, as the case may be, shall be issued at their par value unless the Governing Board otherwise determines from time to time that such shares shall be issued at a premium.

11. Subscription of Shares

- 11.1 Each member shall subscribe to the share capital of the IILM of not less than 5 shares.
- 11.2 If the General Assembly decides to increase the capital of the IILM by the issuance of new shares ("New Shares"), each member shall be offered the opportunity to subscribe, upon such terms and conditions as the General Assembly shall determine, to a proportion of the increase in capital equivalent to the proportion which its shares theretofore subscribed bears to the total subscribed shares immediately prior to such increase. No member shall be obliged to subscribe to any part of an increase of the share capital of the IILM.
- 11.3 If any member does not take up its full entitlement to New Shares (such shares not taken up being the "Available Shares"), then the Available Shares shall be offered to all members ("Accepting Members") who have taken up in full their entitlement to New Shares, with each Accepting Member being offered that proportion of Available Shares equivalent to the proportion that its shares theretofore subscribed bears to the total subscribed shares of the Accepting Members immediately prior to the increase. Any offer under this Article 11.3 shall be on the same terms as the offer made under Article 11.2.
- 11.4 The procedure described in Article 11.3 shall be repeated until such time as all of the New Shares are taken up.

12. Payment of subscriptions

- 12.1 Each signatory to this Articles of Agreement shall pay the par value of the shares subscribed by it in lump sum within sixty (60) days after the date of this Agreement or such other period as the Governing Board may determine.

- 12.2 Each member admitted under Article 8.4 shall pay the subscription amount of the shares subscribed by it in lump sum within thirty (30) days after the date of the notice issued by the IILM of it being admitted as a member of the IILM, or within certain other period as may be determined by the Governing Board on a case-to-case basis.
- 12.3 Each member which subscribe to the new shares issued under Article 10.2 shall pay the subscription amount of the shares so subscribed within thirty (30) days after the date of the notice issued by the IILM to this effect. If a member fails to pay the newly subscribed share capital during such period, the General Assembly may, upon the recommendation of the Governing Board, after giving reasonable notice to such member, forfeit the share in respect of which the call remains unpaid. A forfeited share may be offered on such terms and in such manner as the General Assembly may think fit. The proceeds of sale may be received by the IILM, which will pay to the member which fails to pay the newly subscribed share capital any part of the net proceeds over and above the amount of the call due and unpaid. The rest of the proceeds of sale shall be applied in paying up the relevant share(s). If the proceed of sale are not sufficient to pay up such shares, the member whose shares were forfeited shall remain liable for the shortfall.
- 12.4 The payment for the shares by each member shall be made in United States Dollars. The IILM shall determine the place and method of payment.
- 12.5 The failure of any member to make any payment when due under this Article 12 shall not relieve any other member of its obligation to make its respective payment.

13. Restriction on Transfers and Pledge of Shares

Shares of the IILM may not be pledged or encumbered in any manner whatsoever, and they shall not be transferable except to the IILM in accordance with Chapter VI.

14. Limitation of Liability

The liability of each member shall be limited to the unpaid amount, if any, of the shares that it subscribes to. No member shall be liable, by reason of its membership, for any obligations of the IILM.

15. Other resources

The other resources for working capital or other capital for the IILM shall consist of:

- (a) grants, donations and other funds received by the IILM;
- (b) amounts accruing by way of profits and other funds derived from the investments and operations of the IILM;
- (c) income raised by the IILM through various *Sharī'ah*-compliant instruments; and
- (d) any other *Sharī'ah*-compliant funds as may be determined by the Governing Board.

CHAPTER IV ORGANIZATION AND MANAGEMENT

16. Structure

The structure of the IILM shall consist of the General Assembly, the Governing Board, the Board Executive Committee, other Board Committees, the *Shari'ah* Committee, the Chief Executive Officer, and such other officers and staff as may be considered necessary by the Governing Board.

17. The General Assembly

17.1 The General Assembly shall be the representative body of all members of the IILM.

17.2 The General Assembly shall have, inter alia, the following duties and responsibilities:

- (a) to review and approve the final audited accounts of the IILM;
- (b) to review and approve the proposal to increase the authorised capital
- (c) to approve the appointment of the external auditor of the IILM;
- (d) to discuss issues relating to the objectives and functions of the IILM;
- (e) to decide on suspension or termination of the operations of the IILM and the distribution of its assets

- (f) to approve the reserves and the distribution of the net income and surplus of the IILM as proposed by the Governing Board; and
- (i) on the proposal by the Governing Board, to amend the Articles of Agreement.

17.3 Two thirds of all IILM members shall constitute a quorum for the General Assembly.

17.4 Each member shall, unless its membership is suspended, have one vote at each meeting of the General Assembly and all matters before the General Assembly shall be decided by a simple majority of all members present in the meeting, unless specifically provided otherwise in other Articles.

17.5 The General Assembly shall meet at least once in a year within six months of the end of the financial year of the IILM on such date, time and place as shall be determined by the Governing Board.

18. The Governing Board

18.1 The Governing Board shall be the strategy and policy-making body of the IILM.

18.2 The Governing Board shall comprise members which fulfills the following criteria (hereinafter referred to as "Eligible Member"):

- (a) A central bank, a monetary authority or a governmental ministry or agency that has regulatory oversight on finance or trade and commerce, where –
 - (i) International sovereign rating of the country of the member shall be at least rated B or equivalent given by

an internationally recognised rating agency or where the country is not rated, the country's public debt level is low according to indicators set by leading international bodies such as the International Monetary Fund or the International Bank for Reconstruction and Development. In case more than one sovereign rating is assigned, the lowest rating shall be applicable;

(ii) The country of the member has no major issues in relation to compliance with the core recommendations of the Financial Action Task Force on Money Laundering and Terrorism Financing, and

(iii) If there is more than one Eligible Member from the same country, then only the member that is responsible for the provision of liquidity support to IIFS among the Eligible Members from the same country shall become a member of the Governing Board; or

(b) An international multilateral organization which has a specific mandate to develop, promote or foster cooperation in Islamic finance.

18.3 For the first ten (10) years of the establishment of the IILM, the membership of the Governing Board shall consist of up to fifteen (15) Eligible Members as follows:

(a) Eligible Members who are signatories to these Articles of Agreement; and

(b) other Eligible Members who—

(i) shall be selected by rotation based on the earliest date of admission as a member of the IILM, and if there is a tie

where more than one member is admitted on the same date, based on the alphabetical order of the member's country in the English language;

- (ii) shall be members of the Governing Board for a period of two years; and
- (iii) shall not be selected again unless all other Eligible Members have either served as a member of the Governing Board based on the rotation under sub-paragraph (i) or have declined to serve.

18.4 For the purpose of Article 18.3, all signatories to these Articles of Agreement shall have priority to become a member of the Governing Board upon fulfillment of the eligibility criteria referred to in Article 18.2 over any other member who is admitted under Article 8.4.

18.5. After the first ten (10) years of the establishment of the IILM, the membership of the Governing Board shall consist of up to fifteen (15) Eligible Members who:

- (a) shall be selected by rotation based on the earliest date of admission as a member of the IILM, and if there is a tie where more than one member is admitted on the same date, based on the alphabetical order of the member's country in the English language;
- (b) shall be members of the Governing Board for a period of two years; and
- (c) shall not be entitled to be selected again unless all other Eligible Members have served as a member of the Governing Board based on the rotation under sub-paragraph (a) or if there is any Eligible Member who declines to serve.

- 18.6 Each member of the Governing Board shall be represented by its most senior executive officer or such other senior officer, as may be nominated from time to time by the members.
- 18.7 The office of the Chairman and the Deputy Chairman of the Governing Board shall be rotated annually among the members of the Governing Board based on the earliest date of becoming a member of the Governing Board, and if there is a tie where more than one eligible member becomes a member on the same date, then based on the alphabetical order (in English language) of the country of the member. The Deputy Chairman shall, if still a member of the Governing Board, automatically assume the office of the Chairman at the next annual general meeting of the Governing Board and the next Eligible Member based on the rotation mentioned above shall assume the office of Deputy Chairman. The first Chairman of the Governing Board shall be the representative of the member of the Governing Board from the host country of the IILM and the first Deputy Chairman shall be the representative of the member of the Governing Board whose country is at the effective date of this Articles of Agreement first in the alphabetical order (in English language).
- 18.8 The representatives of members in the Governing Board shall serve as such without any remuneration from the IILM, but the IILM may reimburse them for reasonable expenses incurred in attending meetings of the Governing Board.
- 18.9 Any member of the Governing Board that no longer fulfils the criteria under Article 18.2 shall be suspended from being a member of the Governing Board and shall be replaced by the next member based on Article 18.3.

19. The Governing Board: Powers

The Governing Board shall have the following powers:

- (a) decide all matters relating to the strategies and policies to be undertaken by the IILM in attaining its objectives, carrying out its functions or exercising its powers;
- (b) approve the general rules and by-laws of the IILM pursuant to Article 45;
- (c) admit new members and determine the conditions of their admission;
- (d) suspend a member and extend or lift the suspension;
- (e) decide questions of interpretation or application of the Articles of Agreement or general rules and by-laws proposed by the Board Executive Committee;
- (f) appoint and remove the members of the Board Executive Committee, the Chief Executive Officer and the members of the *Sharī'ah* Committee, and establish any other board committee(s) as the Governing Board deems necessary, appoint members of the committee(s) and set general rules and by-laws for the committee(s) from time to time;
- (g) propose to the General Assembly the reserves and the distribution of the net income and surplus of the IILM and the currency of distribution;
- (h) propose to the General Assembly the suspension or termination of the operations of the IILM and the distribution of its assets;

- (i) propose to the General Assembly amendments to the Articles of Agreement;
- (j) establish a secretariat or other committees as the Governing Board deems necessary;
- (k) approve matters relating to the issuance of *any Sharī'ah*-compliant financial instruments by the IILM, the currency, frequency and manner thereof;
- (l) approve the eligibility criteria of assets or properties to be accepted into the global pool of assets or properties created under this Agreement;
- (m) approve the annual administrative budget;
- (n) determine the maximum limits to borrow, raise or secure or receive such monies or financing in any manner in accordance with *Sharī'ah* as it may require from time to time; and
- (o) any other powers to be approved by the General Assembly as it may require from time to time.

20. The Governing Board: Procedures

20.1 The Governing Board shall meet at least twice a year at such date, time and place as recommended by the Chief Executive Officer and approved by the Governing Board or the Board Executive Committee.

20.2 In addition to the meetings referred to in Article 20.1, meetings of the Governing Board shall be called by the Chief Executive Officer when so requested by the Chairman of the Governing Board or at least by simple majority of the members of the Governing Board.

- 20.3 Each member of the Governing Board shall have one vote.
- 20.4 A simple majority of all members of the Governing Board shall constitute a quorum for any meeting of the Governing Board and decision shall be effective upon a simple majority of members present at the meeting, unless specifically provided otherwise in other Articles.
- 20.5 The Governing Board shall by by-laws establish a procedure whereby the Chief Executive Officer may, when the latter deems such action advisable, obtain a vote of the members of the Governing Board on a specific question without calling a meeting of the Governing Board.
- 20.6 A Governing Board member shall disclose to the Governing Board any potential or actual conflict of interest or related party interest that may arise from a project, transaction or any other matter being considered by the Governing Board. Such member shall excuse himself or herself from any meetings of the Governing Board whilst the matter is being considered and should not be entitled to vote on the matter.
- 20.7 The Governing Board shall establish the following committees: the Audit Committee, the Internal Control and Risk Management Committee, and such other committees as it thinks may be necessary for the proper operations of the IILM. The initial terms of reference of these committees shall be presented to the Governing Board for its approval and any subsequent amendment shall be approved by the Governing Board.

21. The Board Executive Committee: Composition

21.1 The Board Executive Committee shall consist of-

- (a) a Chairman; and
- (b) a minimum of four (4) other members,

who shall be appointed amongst the members of the Governing Board or their representative.

21.2 Each member of the Board Executive Committee shall be persons of high competence in economic and financial matters and shall be appointed in accordance with the procedures to be set forth in the by-laws to be adopted by the Governing Board.

21.3 Members of the Board Executive Committee shall be appointed for a period of three years and may be re-appointed. The members of the Board Executive Committee shall continue in office until their successors are appointed.

21.4 A Board Executive Committee member shall disclose to the Board Executive Committee any potential or actual conflict of interest or related party interest that may arise from a project, transaction or any other matter being considered by the Board Executive Committee. Such member shall excuse himself or herself from any meetings of the Board Executive Committee whilst the matter is being considered and should not be entitled to vote on the matter.

21.5 The Governing Board shall determine the procedures of meetings of the Board Executive Committee.

22. The Board Executive Committee: Powers

The Board Executive Committee shall be responsible for the general conduct of the operations of the IILM. In particular, the Board Executive Committee shall:

- (i) propose to the Governing Board the policies of the IILM and its general rules and by-laws;
- (ii) propose to the Governing Board the operational strategy of the IILM;
- (iii) propose to the Governing Board the annual administrative budget;
- (iv) submit the final accounts for each financial year for the approval of the Governing Board and the General Assembly;
- (v) propose an interpretation to any provision of the Articles of Agreement, general rules or by-laws referred to it pursuant to Article 34.2 and submit the proposal to the Governing Board for approval;
- (vi) propose amendments of the Articles of Agreement to the Governing Board and the General Assembly;
- (vii) any other powers to be approved by the Governing Board as it may require from time to time.

23. Chief Executive Officer, Officers and Staff

23.1 The Governing Board shall appoint a Chief Executive Officer of the IILM who shall not, while holding office, be a member of the Governing Board or any of its Committees.

- 23.2 The term of office of the Chief Executive Officer shall be determined by the Governing Board. If the office of the Chief Executive Officer for any reason becomes vacant more than one hundred and eighty (180) days before the end of his term, a successor shall be selected for the unexpired portion of such term by the Governing Board.
- 23.3 The Chief Executive Officer may participate in meetings of the Governing Board, the Board Executive Committee and any other Committees established by the Governing Board but shall not vote or count in the quorum.
- 23.4 The Chief Executive Officer shall be the legal representative of the IILM.
- 23.5 The Chief Executive Officer shall be chief of the staff of the IILM and shall be responsible for the day-to-day operations of the IILM under the direction of the Governing Board. He shall be responsible for the organization, appointment and dismissal of the officers and staff, with the exception of the internal auditors, in accordance with by-laws adopted by the Board Executive Committee.

24. *Sharī'ah* Committee

- 24.1 The IILM shall have a *Sharī'ah* Committee consisting of at least three (3) internationally recognized Islamic scholars well versed in financial transactions. Members of the *Sharī'ah* Committee shall be appointed by the Governing Board. The number of *Sharī'ah* Committee members of the IILM may be added upon consideration by the Governing Board.
- 24.2 The *Sharī'ah* Committee shall have the power to decide on any *Sharī'ah* issues relating to business, operations or activities of the IILM or any of its subsidiaries, special purpose entities or trusts and shall consider any question referred to it by the Governing Board, Board

Executive Committee, the Chief Executive Officer or the staff of the IILM.

- 24.3 The *Sharī'ah* Committee shall render its decision after considering the views of the staff and any expert on the matter that it may wish to consult.
- 24.4 Decisions of the *Sharī'ah* Committee shall be taken by a simple majority vote of its members and shall set out the reasons on which it is based.

CHAPTER V PRIVILEGES AND IMMUNITIES

25. Privileges and Immunities

For the purpose of Article 9.3(c) the member of the IILM is to consider liaising with the relevant authorities in their jurisdictions for the conferring of the following privileges and immunities:

- (a) immunity from judicial process and other action;
- (b) immunity of archives;
- (c) freedom of assets from restrictions;
- (d) privileges for communications; and
- (e) exemption from taxation.

CHAPTER VI
WITHDRAWAL AND SUSPENSION OF MEMBERS, AND SUSPENSION
AND TERMINATION OF OPERATIONS

26. Right of Withdrawal

- 26.1 Any member may withdraw its membership from the IILM by notifying the Chief Executive Officer in writing of its intention to do so. Such withdrawal shall become effective on the date specified in the notice but in no event prior to six months, or any other period as may be determined by the Governing Board, from the date on which such notice was delivered to the IILM.
- 26.2 At any time before the withdrawal becomes effective, the member may upon written notice to the Governing Board, renounce its intention to withdraw.
- 26.3 A withdrawing member shall remain liable for all obligations to the IILM to which it was subject as a member at the date of delivery of the withdrawal notice. A withdrawing member will remain liable after its withdrawal in respect of any obligations it has incurred or will incur by the fact of being a counterparty in any commercial arrangement with the IILM or any of its subsidiaries, special purpose entities or trusts.
- 26.4 The Governing Board may as it deems appropriate in respect of a member who has served notice of withdrawal, declare that certain of that member's rights under these Articles are suspended. Following any such declaration, the applicable member's rights will be so suspended.

27. Suspension of Membership

- 27.1 A member that fails to fulfill any of its obligations to the IILM or any of its subsidiaries, special purpose entities or trusts may be suspended by the Governing Board by a vote representing not less than a simple majority of the total voting power of the members.
- 27.2 A member so suspended shall automatically cease to be a member of the IILM one year from the date of its suspension unless the Governing Board during that period decides by simple majority to extend or lift the suspension.
- 27.3 While under suspension, a member may not exercise any of the rights conferred upon it by the Articles of Agreement, except the right of withdrawal, but it shall remain subject to fulfillment of all obligations.
- 27.4 If a person ceases to be a member in accordance with Article 27.2 above, and at the time its membership ceases there is an amount unpaid on that member's shares, then unless agreed otherwise by the Governing Board, that person shall remain liable to pay such unpaid amount notwithstanding its cessation of membership.

28. Rights and Duties on Cessation of Membership

- 28.1 From the time its membership ceases, a member shall no longer be entitled to receive dividends from the IILM. In the case of losses, a member shall not be liable beyond the unpaid amount, if any, of the value of the shares that it subscribes to. The IILM shall subject to the terms of this Article 28 arrange for the purchase of such member's shares as part of the settlement of accounts with it.
- 28.2 The IILM and a member may agree on the withdrawal from membership and the purchase of shares of said member on terms appropriate under the circumstances. The purchase price of the share

of a withdrawing member shall be such value as may be determined by the Governing Board following consultation with the IILM's auditors and on the basis of such other financial advice by any independent party as the Governing Board deems appropriate. If no agreement is reached between the withdrawing member and the IILM, the value shall be determined in accordance to the dispute settlement mechanism provided for in Article 35.

- 28.3 Payment for shares shall be made by the IILM in such instalments in a currency acceptable to both the IILM and the withdrawing member within six months from the date the member ceases to be a member, as the IILM shall determine, taking into account its financial position provided that if the Governing Board determines that the IILM does not at such time have the resources to purchase such shares, then it may specify a deferred time table for payment. In any event, payment shall be made to the withdrawing member by no later than 12 months from the date the member ceases to be a member of the IILM.
- 28.4 No amount due to a former member for its shares under this Article may be paid until one month after the date upon which such member ceases to be a member of the IILM. If the operations of IILM is suspended or terminated prior to making payment to a member for its shares, the rights of such member shall be determined by the provisions of Articles 29 to 32 of this Articles of Agreement, as the case may be and the member shall be considered still a member of the IILM for purposes of said Article, except that it shall have no voting rights.
- 28.5 The Governing Board will distribute on a pro-rata basis, in the manner in which it considers appropriate, any shares purchased from a person who ceases to be a member which may include either:"
- (a) by offering them for sale to members against payment of an amount equal to that paid by the IILM to the withdrawing member; and/or

- (b) by offering them for sale to members at such other price as the Governing Board deems appropriate from time to time.

The members shall have the right and reasonable opportunity to subscribe to such shares and the provisions of Articles 11.3 and 11.4 shall apply to such redistribution mutatis mutandis.

- 28.6 Where the relevant shares cannot be distributed under Article 28.5, the Governing Board may offer such shares for sale to any institution referred to in Article 7 at such price as the Governing Board may deem appropriate from time to time. The IILM may keep the shares until such time it receives offers for subscription.

29. Suspension of Operations

In an emergency the General Assembly may, upon the recommendation of the Governing Board, suspend the operations of the IILM or any of its subsidiaries, special purpose entities or trusts in respect of new issuance of instruments until such time as the Governing Board has the opportunity to consider the situation and take pertinent measures.

30. Termination of Operations

- 30.1 The General Assembly may, upon the recommendation of the Governing Board, terminate the operations of the IILM by a decision of at least two-thirds of all members. Upon termination of operations, the IILM and its subsidiaries, special purpose entities or trusts shall forthwith cease all activities except those incident to the conservation, preservation and realization of its assets and settlement of its actual and contingent obligations.

30.2 Until final settlement of such obligations and distribution of assets, the IILM shall remain in existence and all mutual rights and obligations of the IILM and its members under this Agreement shall continue unimpaired, except that no member shall be suspended or withdraw and that no distribution shall be made to members except as provided in this Article.

31. Obligations of Members and Payments of Claims

Subject to Article 14, the liability of members arising from its membership of the IILM shall remain in force until the IILM's obligations, including contingent obligations, are fully settled out of the assets of the IILM or if earlier, on the date on which a member ceases to be a member in accordance with these Articles.

32. Distribution of Assets

32.1 No distribution of assets shall be made to members until all actual and contingent liabilities to creditors have been discharged or provided for. Such distribution must be approved by the General Assembly by a vote of simple majority of the total number of voting members.

32.2 Any distribution of assets to the members shall be in proportion to their shares and shall be effected at such times and under such conditions as the General Assembly deems fair and equitable. The proportions of assets distributed need not be uniform as to type of assets. No member shall be entitled to receive its proportion in such distribution of assets until it has settled all its obligations to the IILM.

32.3 Any member receiving assets distributed pursuant to this Article shall enjoy the same rights with respect to such assets as the IILM enjoyed prior to their distribution.

32.4 Upon determination by the General Assembly by an affirmative vote of at least two-thirds of the number of the members who hold collectively at least two-thirds of the total outstanding shares, to terminate the operations of IILM:

- (a) the Governing Board and the Chief Executive Officer shall not carry out any business for the IILM, except for the purpose of winding up its affairs except to the extent incidental to the conservation or preservation of its assets;
- (b) the Governing Board shall proceed to wind up the affairs of the IILM, and all of the powers of the Governing Board under these Articles of Agreement shall continue until the affairs of the IILM shall have been wound up; and
- (c) after paying or adequately providing for the payment of all actual and contingent liabilities of the IILM, and upon receipt of such releases, indemnities and refunding agreements as it may deem necessary for its own protection by the Governing Board, the Governing Board shall distribute the remaining IILM funds and other property in cash or in kind, or a combination of both, among the members in the proportion of their respective number of shares. In cases where a member are not allowed to accept non-cash assets, the IILM shall convert the assets into cash by offering the assets for sale and shall deliver the proceeds of the sale to the member. The IILM shall not be obliged to guarantee the member the value of the sale proceeds and the duration as a result of the conversion process.

32.5 Any rights, interests or entitlements to be transferred under this Chapter may be assigned in writing by the member entitled to receive them to a third party, in which case the Governing Board will endeavour to transfer those interests, rights or entitlements to that third party at the cost of the member entitled to them, but will not be liable to the member if it is unable to do so.

CHAPTER VII

AMENDMENTS, INTERPRETATION AND DISPUTE SETTLEMENT

33. Amendments

33.1 The Articles of Agreement may be amended with consent of three-quarters of the members present and voting at the meeting of General Assembly.

33.2 Notwithstanding the provisions of Article 33.1, the unanimous agreement of the General Assembly shall be required for the approval of any amendment modifying:

- (a) the objectives of the IILM as provided in Article 4;
- (b) the right to withdraw from the IILM as provided in Article 26; and
- (c) the limitations on liability as provided for in Article 14.

33.3 Any proposal to amend the Articles of Agreement, whether emanating from a member of the IILM or the Board Executive Committee, shall be communicated to the Chairman of the Governing Board, who shall bring the proposal before the General Assembly. When an amendment has been adopted, the IILM shall so certify in an official communication addressed to all members. Amendments shall enter into force for all members three months after the date of the official communication unless the Governing Board shall specify a different date.

34. Languages, Interpretation and Application

34.1 The official language of the IILM shall be English. The English text of this Agreement shall be the authentic text for the interpretation and application of the Articles of Agreement.

34.2 Any question of interpretation of the provisions of the Articles of Agreement, the general rules and the by-laws shall be referred to the Governing Board for decision.

34.3 In any case where the Board Executive Committee has given a decision, any member may require that the question be submitted to the Governing Board, whose decision shall be final. Pending the decision of the Governing Board, the IILM may, insofar as it deems it necessary, act on the basis of the decision of Board Executive Committee.

35. Dispute Settlement

35.1 Any dispute which arises under this Agreement between the IILM and a member or between members in relation to the IILM shall be resolved by consultation based on the principles of Islamic brotherhood and solidarity.

35.2 Where the parties concerned fail to resolve the dispute in accordance with Article 35.1, the matter should, except as expressly provided otherwise in these Articles of Agreement, be referred to (i) a Dispute Settlement Committee established by the Governing Board or (ii) any arbitral institution as decided by the Governing Board.

35.3 The Dispute Settlement Committee shall be empowered to hear submissions from all the parties to the dispute and others in such manner as the committee shall deem appropriate in all the circumstances. The Dispute Settlement Committee shall then issue its decision in writing and communicate the same to all the relevant parties. The decision of the Dispute Settlement Committee shall be binding on all the parties and there shall be no further right of appeal.

35.4 Where the parties agreed to refer any dispute to any arbitral institution of competent jurisdictions as decided by the Governing Board, it shall be finally settled by arbitration in accordance with the UNCITRAL Arbitration Rules as in force from time to time. The Parties agree to the following:

- (a) the appointing authority to appoint the arbitrators shall be the Secretary-General of the Permanent Court of Arbitration;
- (b) the number of arbitrators of the arbitral tribunal shall be three;
- (c) the place of arbitration shall be The Hague;
- (d) the law to be applied by the arbitral tribunal shall be laws of Malaysia; and
- (e) the language to be used in the arbitral proceedings shall be English.

CHAPTER VIII GENERAL PROVISIONS

36. Financial Year

The Financial Year of the IILM shall be the 1st January to 31st December of the Gregorian calendar.

37. Dividends

37.1 The Governing Board shall propose to the General Assembly what part of the IILM's net income and surplus after making provision for reserves, shall be distributed as dividends.

37.2 Dividends shall be distributed pro rata in proportion to the paid up shares held by each member.

37.3 Dividends shall be paid in such manner and in such currency or currencies, as the Governing Board shall determine.

38. Publication of Annual Reports and Circulation of Reports

The IILM shall publish an annual report containing an audited statement of its accounts. The IILM may also publish any such other reports and studies as it deems appropriate in order to fulfil its objectives and carry out its functions.

39. Secrecy of deposits

The IILM shall observe and shall procure that its subsidiaries, special purpose entities or trusts complete secrecy in regard to the depositories accounts and members shall respect the inviolability of information about such deposits.

40. Waiver

The IILM in its discretion may waive any of the privileges and immunities that may be conferred upon it to such extent and upon such conditions as it may determine.

41. Financial and other assistance

The IILM shall not accept financial or other assistance that may in any way prejudice, limit, deflect or otherwise alter its purpose or functions subject to the approval of the Governing Board.

42. Authority to Discharge of Duties

The Chief Executive Officer, the officers and staff of the IILM, in the discharge of their offices, owe their duty entirely to the IILM and to no other authority.

43. Execution of documents by members

Each member hereby agrees to execute such documents as the Governing Board may deem to be reasonably necessary in order to give effect to the provisions of these Articles of Agreement (including without limitations forms of transfer in relation to shares); provided that nothing in this Article 43 shall require a member to assume any liability other than as contemplated by Article 14.

44. Governing law

This Agreement shall be governed in accordance with the laws of Malaysia.

45. General rules and by-laws

The IILM may make such general rules and by-laws for the pursuance of its objectives and functions concerning the operations and procedures of the IILM and its constituent organs as may be necessary or expedient. Such general rules and by-laws shall be prepared by the Chief Executive Officer or the Board Executive Committee and approved by the Governing Board.

46. Entry into force

This Agreement shall enter into force when the Parties to this Agreement have duly ascribed their signatures thereto.

47. Commencement of operations

- 47.1 At its inaugural meeting, the Governing Board shall make arrangements for the determination of the date on which the Corporation shall commence its operation.
- 47.2 The IILM shall notify its members of the date of the commencement of its operations.

48. Conditional/Unconditional Parties

- 48.1 Each signatory to these Articles of Agreement is designated on the signature pages below either as a Conditional Party or an Unconditional Party. A Conditional Party is a party whose ability to become a member of IILM is conditional upon approvals, consents or authorisations (**Approvals**) in its home state. An Unconditional Party's ability to become a member is not subject to such Approvals or that it has met such Approvals prior to signing these Articles of Agreement.
- 48.2 (a) A Conditional Party shall have no rights, duties or obligations hereunder, and shall not become a member of the IILM, until such time as it has notified the Chief Executive Officer that the Approvals required in relation to it have been obtained; except that each Conditional Party shall be legally bound by Article 48.6 hereof.
- (b) Each Unconditional Party becomes a member on the date of signature hereof as provided by Article 8.1.
- 48.3 Once the notification referred to in Article 48.2 (a) has been provided in relation to a Conditional Party, that Conditional Party shall have the benefit of and be subject to all of the rights, duties and obligations conferred on and undertaken by members in these Articles of Agreement; and will be required to pay the par value of the shares

subscribed by it in lump sum within [30] days of so becoming a member.

- 48.4 If a Conditional Party has not provided the notification referred to in Article 48.2 (a) prior to the Long Stop Date, it will be deemed for all purposes not to have been a signatory hereto. For these purposes, **Long Stop Date** means in relation to a Conditional Party the date falling 12 months after the date of signature hereof or such later date as may from time to time be specified in relation to that Conditional Party by the Governing Board.
- 48.5 For purposes of the provisions of Article 18 relating to the composition of the Governing Board, each Conditional Party that becomes a member of IILM will be deemed to have become a member on the date hereof. The Chief Executive shall be entitled to implement such transitional arrangements in relation to the composition of the Governing Board as he may determine are appropriate in light of the provisions of this Article 48.
- 48.6 Each Conditional Party agrees to use reasonable endeavours to obtain all Approvals required in relation to it prior to the date falling 12 months after the date of signature hereof or such later date as may from time to time be specified in relation to that Conditional Party by the Governing Board.
- 48.7 This Article 48 overrides all other provisions in these Articles of Agreement.

DONE at the city of Kuala Lumpur, Malaysia on this 25th day of October 2010
in one original copy in English.

IN WITNESS WHEREOF the Parties have set their respective hands:

UNCONDITIONAL PARTIES

CENTRAL BANKS/MONETARY AUTHORITIES

(in alphabetical order)

CENTRAL BANK OF THE ISLAMIC REPUBLIC OF
IRAN

CENTRAL BANK OF KUWAIT

BANQUE CENTRALE du LUXEMBOURG

BANK NEGARA MALAYSIA

BANK OF MAURITIUS

CENTRAL BANK OF NIGERIA

QATAR CENTRAL BANK

SAUDI ARABIAN MONETARY AGENCY

CENTRAL BANK OF SUDAN

CENTRAL BANK OF THE REPUBLIC OF TURKEY

CENTRAL BANK OF THE UNITED ARAB
EMIRATES

INTERNATIONAL INTERGOVERNMENTAL ORGANISATIONS
(in alphabetical order)

ISLAMIC CORPORATION FOR THE
DEVELOPMENT OF THE PRIVATE SECTOR

.....

CONDITIONAL PARTIES

BANK INDONESIA

.....

ISLAMIC DEVELOPMENT BANK

.....