

**BND-41**

Annex to the Administrative Order  
No. 53 of 29.06.2015

**The International Investment Bank**  
**TREASURY INVESTMENT POLICY STATEMENT**

Moscow  
2015

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## 1. GENERAL PROVISIONS

### 1.1. The scope of application and general provisions

1.1.1. This IIB Treasury Investment Policy Statement (hereinafter referred to as 'the Policy Statement') has been drawn up in accordance with the Agreement Establishing the International Investment Bank [1] and other internal regulatory documents of the Bank.

1.1.2. The Board of the Bank reviews the Policy Statement upon a recommendation of the Bank's Finance Committee and, if necessary, introduces amendments to the Policy Statement.

1.1.3. The Policy Statement is the Bank's regulatory document that establishes objectives and guidelines for shaping the Bank's Treasury portfolio. It also ensures an effective management of the Bank as an international financial development institution with the aim to achieve and maintain adequate liquidity levels and strong credit quality of the Treasury portfolio in accordance with the Bank's strategic goals and objectives as well as commonly accepted banking principles.

1.1.4. Key objectives of the Bank's investment strategy for managing its Treasury portfolio in accordance with this Policy Statement are:

- preserving the real value of the Bank's owners' equity and protecting the owners' equity from the exposure to risk factors;
- maintaining adequate levels of the Bank's liquidity;
- diversification of investments and ensuring an adequate level of Treasury portfolio management.

1.1.5. A division that has developed this document is the Treasury.

1.1.6. A division responsible for timely updating this document is the Treasury.

### 1.2. Terms and definitions

Below is the list of terms and definitions used in this document:

Term	Definition
<b>Repurchase REPO and reverse REPO</b>	Repo operations are the operations, where securities are sold/acquired (first stage of repo) with further obligatory repurchase/selling of securities of the same issue and in the same amount (second stage of repo) within a period of time defined by an agreement and for the price stated by the agreement, which has been signed during the first stage of such a transaction
<b>Derivative financial instrument, derivative</b>	A financial instrument, the price of which has a strong relationship with the price and characteristics of the underlying commodity. A derivative's price is influenced by changes in the interest rate, price of a good or security, an exchange rate, price or rate indexes. In essence, a derivative is an agreement between parties, in accordance with which they undertake obligations to provide a certain asset within a defined period.
<b>Structured products (SP)</b>	An investment portfolio, which is formed in the interests of an investor in accordance with the rules that have been previously set, and sold as a solid product. May comprise both stock market instruments and bank deposits. Portfolio's structure developed in such a manner that aims at guaranteeing investors a return, at least, at a targeted level.
<b>Financial instrument</b>	Any contract that gives rise to a financial asset of its one entity and a

	financial liability or equity instrument of its other entity.
<b>ADR, GDR</b>	American and global depository receipts issued in several countries to create possibilities for foreign companies to trade their securities in those countries

### 1.3. Abbreviations

The following abbreviations are used in this document:

Abbreviation	Transcriptions
<b>The Bank (IIB)</b>	The International Investment Bank
<b>The Policy Statement</b>	Treasury Investment Policy Statement of the International Investment Bank
<b>The Treasury</b>	The Treasury

## 2. GUIDELINES FOR DEVELOPING AND MANAGING THE TREASURY PORTFOLIO

2.1. Under this Policy Statement, the following market operations with financial instruments are permitted:

2.1.1. Purchase and sale of securities listed below, which are issued subject to the legislation of both the Bank's member states and non-member states:

- government securities and municipal bonds, as well as securities issued by entities (administrative units) of the Bank's member states;
- government securities and municipal bonds, as well as securities issued by entities (administrative units) of the states that do not enjoy the Bank's membership;
- debt securities of international financial organisations;
- corporate debt securities of issuers established subject to the legislation of the Bank's member states;
- corporate debt securities of issuers established subject to the legislation of the states that do not enjoy the Bank's membership;
- shares, ADR, GDR and other equity instruments of issuers, established subject to the legislation of the Bank's member states;
- shares, ADR, GDR and other equity instruments of issuers, established subject to the legislation of the states that do not enjoy the Bank's membership;

2.1.2. Repurchase REPO and reverse REPO with the securities listed in clause 2.1.1 of the Policy Statement;

2.1.3. Leveraged deals permitted by the Policy Statement on the security of funds or other securities permitted by the Policy Statement for investing, or collateral free;

2.1.4. Deposit opening and deposit sourcing from credit institutions as well as purchasing certificates of deposit;

2.1.5. FX cash operations (FX cash is cash balances of correspondent accounts and specialised accounts of custodian banks and brokers);

2.1.6. Purchase and sale of structural instruments aimed at proactive liquidity management and safeguarding the Bank's owners' equity from exposure to risk factors;

2.1.7. Purchase and sale of derivative financial instruments including but not limited to the core stock exchange products that do not imply the provision of underlying commodity with the aim to protect owners' equity of the Bank from exposure to risk factors.

Derivatives (including but not limited to forward-forward operations, swaps (currency swaps, interest-rate swaps and cross-currency interest-rate swaps), forward rate agreement (FRA), option, futures and other operations presenting a combination of the above) may be used for full or partial hedging as well as for reducing the influence of market risks and opening positions within the limits imposed by this Policy Statement and other internal regulatory documents of the Bank.

Short positions opening is allowed only for carrying out hedging operations or operations that reduce the exposure to market risks.

2.2. In order to develop its Treasury portfolio the Bank uses its untied funds, including borrowed funds and owners' equity funds to acquire securities provided that there is an allocated limit in accordance with the IIB System of strategic limits, limits and sub-limits [2].

2.3. The Bank may entrust part of its untied funds (assets) for external (trust) management. Funds (assets) entrusted for external (trust) management are an integral part of the Treasury portfolio. Entrusting assets for external (trust) management shall comply fully with the list of permitted instruments stated in clause 2.1. of this Policy Statement provided that the Treasury portfolio conforms fully to all the limits imposed by the Policy Statement. The Board of the Bank is authorised to apply additional restrictions on operations associated with Treasury portfolio management or a part thereof performed by an external manager. The decision to entrust assets for external (trust) management is adopted by the Board of the Bank.

2.4. Depositing untied funds with credit institutions is carried out only if there are existing limits allocated in accordance with the IIB System of strategic limits, limits and sub-limits [2].

### **3. FINAL PROVISIONS**

3.1. In case the Agreement Establishing the International Investment Bank and the Bank's Charter are amended, this document and the amendments thereto shall apply insofar as they do not conflict with newly adopted legal and other normative acts as well as the Agreement Establishing the International Investment Bank and the Bank's Charter [1].

3.2. Indicators of urgency, risk exposure (weighted average duration, modified duration, VaR, risk ratio, scenario analysis, etc.) and credit rating level are used to perform Treasury portfolio's risk profile evaluation.

3.3. The Treasury performs a follow-up monitoring of this Policy Statement's application as well as that of other internal normative documents of the Bank, which regulate the Treasury portfolio management process, on a daily basis.

### **4. REFERENCES**

1. The Agreement Establishing the International Investment Bank, registered with the UN Secretariat under registration number 11417 on 01.12.1971 (as amended by the Protocol of 20.12.1990) and the Bank's Charter in its updated version.
2. The IIB System of strategic limits, limits and sub-limits is annually approved by an Administrative Order of the Bank based on the updated version of the IIB Risk Management Policy (PLC-6) approved by the Administrative order No. 83 of 01.07.2014.