AIIB Directive on Sovereign-backed and Non-sovereign-backed Financings
Dec. 6, 2019

A. Overriding Objective

1. The overriding objective of this Directive on Sovereign-backed and Non-sovereign-backed Financings (**Financings**) is to establish responsibilities and management decision points to enable the Asian Infrastructure Investment Bank's (**AIIB** or the **Bank**) staff to implement the Bank's Operational Policy on Financing (**Policy**) and the Regulation on the Accountability Framework (**Delegation Regulation**).

2. The exercise and interpretation of this Directive shall seek to give effect to this overriding objective.

B. Implementation

3. The Vice President, Policy and Strategy shall from time to time adopt Administrative Guidance under this Directive. The Administrative Guidance shall provide detailed procedures and specifications that support this Directive.

4. Notwithstanding paragraph 3 above, the Chief Risk Officer shall adopt Administrative Guidance providing detailed procedures regarding the identification and management of Financings that become nonperforming assets.

C. Responsibilities

5. For purposes of this Directive, the following AIIB departments have the following key responsibilities:

   (a) The Investment Operations Vice Presidency has overall responsibility, with inputs from other departments within their respective areas of responsibility, for development and delivery of each Financing and for monitoring of the Financing and Project implementation and management of associated risks.

   (b) The Risk Management Department has overall responsibility for management of risks associated with Financings, as elaborated in the Risk Management Framework.

   (c) The Policy and Strategy Vice Presidency is responsible for providing assurance that each Financing complies with AIIB's policies (including environmental, social, fiduciary and economic aspects) and for providing advice on the relevant policies.

(d) The Client Relations and Programming Office is responsible for developing AIIB's pipeline of Financings in consultation with the Investment Operations Vice Presidency and the Policy and Strategy Vice Presidency.

(e) The Office of the General Counsel is responsible for providing legal advice and assistance on all aspects of the Financings.

(f) The Office of the Treasurer is responsible for (i) managing financial risk exposures associated with Financings, (ii) advising on the availability of non-USD currencies, (iii) providing input on base rate pricing of non-USD Financings, (iv) providing input on the structuring of financial products and (v) payments under Financings.

(g) The Office of the Controller has overall responsibility for (i) all disbursements and collections by the Bank related to Financings and (ii) determining the accounting impact of Financings.

(h) The Office of the Vice President and Corporate Secretary is responsible for communications with the Board regarding Financings.

6. Matters arising under the Policy or this Directive that cannot be resolved between the managers of the respective units shall be brought to the Investment Committee.

D. Management Review of the Financings

7. The Screening Committee reviews Financing proposals for their strategic fit with the Bank's purposes and priorities and decides on whether to include them in AIIB's rolling investment pipeline, copying the Executive Committee on its decision. If a proposal raises complex issues or innovative features or there are differing views among the members of the Screening Committee regarding its inclusion in the pipeline, the proposal is brought to the Executive Committee, which makes its recommendation to the President for decision.

8. The Investment Committee reviews each Financing included in the approved rolling investment pipeline at the following stages during its preparation.

(a) A Concept Review is held before significant resources are spent on preparation of the Financing. If the Financing is proposed as a follow on to a well performing Project, the Screening Committee may decide, under circumstances to be set forth in the Administrative Guidance referred to above in paragraph 3, to approve a single Appraisal/Final Review (in lieu of a Concept Review and an Appraisal/Final Review) at the time the proposed Financing is submitted to it for inclusion in the rolling investment pipeline.

(b) The Investment Committee may require, at the Concept Review or thereafter, that the Financing be returned to the Investment Committee for an Interim Review.

(c) An Appraisal/Final Review is held when the preparation and assessment of the Financing is: (i) sufficiently advanced to proceed with negotiations (in the case of a Sovereign-backed Financing) or (ii) substantially completed (in the case of a Non-sovereign-backed Financing). If the Financing is already well prepared at the Concept Review stage and is low- or medium-risk, the Investment Committee may approve a simplified virtual Appraisal/Final Review under procedures to be set forth in the Administrative Guidance referred to above in paragraph 3.

9. Material changes to the Project or to the Financing are reviewed by the Investment Committee before they are submitted for approval.

10. Pursuant to Section 3.5.3 of the Policy, the President delegates the authority to approve nonmaterial changes to the Project or the Financing as follows:

(a) To: (i) the Vice President, Investment Operations; and (ii) either the relevant Director General, Investment Operations or the Manager of the Implementation Monitoring Unit within the Investment Operations Vice Presidency (the relevant Director General and Manager are authorized to approve nonmaterial changes within their respective areas of responsibility);

(b) The lawyer from the Office of the General Counsel assigned to the Project; and

(c) As applicable, any other specialist to whose area of responsibility the proposed change relates.

For the change to be considered approved, any one of the authorized persons referred to above in subparagraph 10(a) and all of the authorized persons referred to above in subparagraphs 10(b) and (c) must all agree to the change. Each of them individually has the right to refer the matter for consideration by the Investment Committee, in which case the Investment Committee is authorized to take the decision.

E. Disclosure of Project Information

11. The Investment Operations Vice Presidency shall ensure that a Project summary information document (PSI), comprising a concise summary of the Project, including its environmental and social information, is prepared for each Sovereign-backed and Non-sovereign-backed Financing.

12. In the case of a Sovereign-backed Financing:

    (a) The Bank discloses the initial PSI promptly after the Financing has passed Concept Review; provided that if the Screening Committee has approved a single Appraisal Review in lieu of a Concept Review and Appraisal Review, the Bank discloses the initial PSI promptly after the Financing has been approved for inclusion in the investment pipeline (see above, subparagraph 8(a)).

    (b) The Bank discloses an updated PSI prior to the consideration of the Financing at the Appraisal Review.

    (c) The Bank also discloses the full Project Document promptly following the approval of the Financing.

    (d) The Bank discloses its implementation monitoring reports for the Project.

13. In the case of a Non-sovereign-backed Financing, the Bank discloses a PSI not later than on the working day immediately following the date on which the Financing has passed the Final Review.

14. The Bank updates the PSI in case of material changes to the Project during Project implementation that require such updating and discloses the updated PSI prior to the approval of such changes.

15. The Investment Committee may grant a deferral of the publication of the PSI because of either:

    (a) Legal or other regulatory requirements such as timing requirements relating to securities offerings, equity investments in publicly listed companies or purchases of shares in a private placement; or

    (b) A commercially sensitive nature of the transaction involving, for example, an acquisition or a financial restructuring, where premature disclosure would compromise the financial worth or competitiveness of a corporate entity or its assets.

F. Third Country Jurisdictions

16. Where the beneficiary of the Bank's Financing (the borrower, investee or guaranteed entity) is incorporated in a jurisdiction which is neither the jurisdiction where the Project is located nor the domicile of either of the beneficiary's main sponsors, an assessment of such jurisdiction shall be conducted with a view to obtaining a reasonable level of assurance that an entity formed in such jurisdiction is not set up or used for illicit purposes. Such assessment shall be guided by the published findings and overall ratings of the Global Forum on Transparency and Exchange of Information for Tax Purposes (Global Forum) as well as the work of the Financial Action Task Force (FATF) in countering money laundering and terrorism financing risks, namely:

    (a) The assessment is guided by the position of the Global Forum according to which jurisdictions that failed at Phase 1 review or are rated "Non-Compliant" or "Partially Compliant" at Phase 2 review are considered as not effectively implementing the internationally agreed tax standard.

    (b) During the assessment, particular attention is paid to jurisdictions that are subject to a FATF call on its members and others to apply countermeasures with respect to such jurisdictions.

17. Beneficiaries of AIIB's financing formed in the territories of the Bank's members are not subject to the assessment outlined in paragraph 16.

G. Retroactive Financing

18. Under Sovereign-backed Loans, the Bank may finance expenditures incurred and paid prior to the date of the loan agreement (**Retroactive Financing**) subject to the following conditions:

    (a) The expenditure has been incurred to finance activities included in the Project description.

    (b) The item with respect to which the expenditure relates has been procured in accordance with the Procurement Policy and associated Directive.

    (c) The payment for this item was made by the borrower not more than 12 months before the expected date of the loan agreement providing for the Loan.

    (d) The total amount of Retroactive Financing is not more than 20 percent of the Loan amount.

H. Replacement of Past Directives

19. This Directive replaces the AIIB Directive on Sovereign-backed and Non-sovereign-backed Financings, dated July 10, 2019.