



Bank Directive

Conversion of Financial Terms of IBRD and IDA Loans and Financing Instruments

Bank Access to Information Policy Designation

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Content

This Directive sets out the process for requesting, accepting, and effecting Conversions of the financial terms of the Loan Agreements of IBRD and Non-concessional Financing Agreements of IDA. This Directive constitutes the “Conversion Guidelines” or “Conversion Directive” as defined and referred to in the relevant General Conditions of IBRD and IDA and the Loan Agreements, as applicable.

Applicable to

IBRD,IDA

Issuer

Vice President and Treasurer, TREVP

Sponsor

Director, Global Head of Capital Markets, TRECI

SECTION I – PURPOSE AND APPLICATION

1. This Directive sets out the process for requesting, accepting and effecting Conversions of the financial terms of the Loan Agreements of IBRD and Financing Agreements of IDA. This Directive constitutes the “Conversion Guidelines” or “Conversion Directive” as defined and referred to in the relevant General Conditions of IBRD and IDA and the Loan Agreements and Financing Agreements, as applicable.
2. This Directive applies to the Bank.

SECTION II – DEFINITIONS

As used in this Directive, the terms used herein and defined in the Loan Agreement or Financing Agreement and the General Conditions have the meanings specified therein for the purpose of this Directive, and the following additional terms have the meanings set forth below. Certain terms are defined in one set of the General Conditions, but not others. As such, the relevant definitions are repeated here for the benefit of the loans governed by the General Conditions which do not have the relevant terms defined and are applicable to such loans only after amendment of the relevant Loan or Financing Agreement (see Section III.2.1.3 below).

1. “Amortization Amount” for purposes of a NDS Currency Conversion means the portion of the Principal Amount due on the Payment Date.
2. “Automatic Conversion to Local Currency” means an “Automatic Conversion to Local Currency” as defined in the relevant General Conditions or described in the relevant Loan Agreement or Financing Agreement and as further described in the provisions of Section III.3.2 of this Directive.
3. “Automatic Rate Fixing Conversion” means an “Automatic Rate Fixing Conversion” as defined in the relevant General Conditions or described in the relevant Loan Agreement and subject to the provisions of Section III.3.4 of this Directive.
4. “Bank” means IBRD or IDA, or both, as applicable.
5. “Board” means the Board of the Executive Directors of the Bank.
6. “Business Day” means any day on which the Bank is open for business in Washington, D.C. and any other location, as may be relevant in the specific Conversion.
7. “Client” means a Borrower in an IBRD Financing or a Recipient in an IDA Financing, as defined in the relevant General Conditions.
8. “Conditional Request” has the meaning set forth in Section III.4.5.6 below.
9. “Currency Hedge Notes Transaction” means one or more notes issued by the Bank and denominated in an Approved Currency, for purposes of executing a Currency Conversion.
10. “Currency Hedge Transaction” means either: (i) a Currency Hedge Swap Transaction; or (ii) a Currency Hedge Notes Transaction.

11. "Currency Hedge Swap Transaction" means one or more currency swap transactions entered into by the Bank with a Counterparty as of the Execution Date for purposes of unwinding.
12. "Execution Period" means a period of fifteen (15) Business Days commencing from the date of acceptance by the Bank of the Request or such other period as agreed between the Bank and the Client.
13. "Fixed Reference Rate" means the rate determined by the Bank pursuant to Sections III.3.5.2 (b) or III.3.5.3 (b)(iii) below, as applicable.
14. "FSL" means legacy loan product offered by the Bank with fixed-spread terms, including as part of the current IBRD Flexible Loan product.
15. "General Conditions" means the relevant editions of IBRD and IDA General Conditions as revised from time to time by the Bank and specified in the Loan or Financing Agreements.
16. "Hedging Guidelines" means the Bank's Guidelines for using Hedging Products, as amended from time to time.
17. "IBRD" means the International Bank for Reconstruction and Development.
18. "IBRD Hedge" has the meaning set forth in Section III.3.7 below.
19. "IDA" means the International Development Association.
20. "Interest Amount" means for purpose of a NDS Currency Conversion the interest amount due on the Loan or Financing in the Approved Currency on a Settlement Date following the NDS Currency Conversions and determined based on the Principal Amount, the applicable interest rate and the applicable day count fraction.
21. "Interest Payment Date" means each date specified in the Loan or Financing Agreement occurring on or after the date of the Loan or Financing Agreement on which interest is payable.
22. "Interest Rate Cap" means with respect to all or any amount of the Withdrawn Loan Balance, an "Interest Rate Cap" as defined in the relevant General Conditions or described in the relevant Loan Agreement.
23. "Interest Rate Collar" means with respect to all or any amount of the Withdrawn Loan Balance, an "Interest Rate Collar" as defined in the relevant General Conditions or described in the relevant Loan Agreement.
24. "Interest Rate Conversion" means a change of the interest rate basis applicable to all or any amount of the Withdrawn Loan Balance, as defined in the applicable General Conditions and/or the Loan Agreement, which may be any of the following: (a) from the Variable Rate to the Fixed Rate or vice versa solely with respect to SDPLs or legacy Loans with Fixed Spread terms; (b) from a Variable Rate based on a Reference Rate and the Variable Spread to a Variable Rate based on a Fixed Reference Rate and the Variable Spread or vice versa; or (d) Automatic Rate Fixing Conversion with respect to the Reference Rate fixing only.

25. "Loan" means a loan, for IBRD, or a credit in the form of a Concessional or Non-concessional Financing, for IDA, as defined in the relevant General Conditions and as applicable in the context. Any other terms used herein with the word "Loan" in them are interpreted in accordance with this definition and as relevant in the context.
26. "Local Currency" means an Approved Currency that is not a major currency, as reasonably determined by the Bank.
27. "Local Currency Conversion" means a Currency Conversion of all or any portion of the Withdrawn Loan Balance to the domestic currency that is the legal tender in the jurisdiction of the Client or to an Approved Currency other than US Dollar, Euro, Yen or Sterling.
28. "Market Transaction" means an Interest Hedge Transaction or a Currency Hedge Transaction undertaken by the Bank, or an Interest Rate Cap or Interest Rate Collar the Bank purchases in the financial markets for purposes of intermediating the Conversions.
29. "NDS Currency Conversion" has the meaning set forth in Section III.3.3.1 below.
30. "Partial Amount Conversion" has the meaning set forth in Section III.6.2 below.
31. "Partial Maturity Conversion" has the meaning set forth in Section III.6.3 below.
32. "Principal Amount" means for purposes of a NDS Currency Conversion the portion of the principal amount of the Loan withdrawn and outstanding converted into the Approved Currency.
33. "Reference Rate" means such reference rate as is specified in the Loan or Financing Agreement or as the Bank otherwise determines in accordance with the applicable General Conditions or the Loan or Financing Agreement.
34. "Request" means a request for a Conversion made pursuant to the provisions of the Loan or Financing Agreement and in accordance with provisions of this Directive and includes, where the context so permits or requires, a withdrawal or a cancellation of a Request.
35. "Residual Spread" means the spread resulting in certain types of Local Currency Conversions and representing the unhedged portion of the Variable Spread in IBRD and IDA Non-concessional Loans.
36. "Screen Rate" means a market rate the Bank obtains from established information vendors such as Bloomberg or Reuters and applies in the manner described in Section III.3.6.2 below.
37. "SDPL" means a special development policy loan of IBRD, which carries a fixed spread approved by the Board.
38. "Settlement Amount" has the meaning set forth in Section III.3.3.3 below.
39. "Settlement Currency" has the meaning set forth in Section III.3.3.3 below.
40. "Settlement Date" has the meaning set forth in Section III.3.3.3 below.

41. "Settlement Rate" means for purposes of a NDS Currency Conversion the currency exchange rate for the Settlement Currency and the Approved Currency determined on the Valuation Date with respect to a Settlement Date in accordance with the terms of the related Currency Hedge Transaction.
42. "Valuation Date" means for purposes of a NDS Currency Conversion the date that is specified in the related Currency Hedge Transaction, which is typically five (5) New York and applicable local business days prior to each Settlement Date.
43. "VSL" means the Bank's loan product offered on variable-spread terms, including as part of the current IBRD Flexible Loan product.
44. "Withdrawn Loan Balance" means the amounts of the Loan withdrawn from the Loan Account and outstanding from time to time.
45. "Zero Cost Collar" has the meaning set forth in Section III.12.4.2(b) below.

SECTION III – SCOPE

1. Introduction

1.1. Applicability

This Directive governs all Conversions requested by the Client and applies to Conversions requested after the date of effectiveness and does not affect any Conversions effected, or requested but not yet effected, prior to the date of effectiveness hereof. Clients may refer to the Bank's website at <http://treasury.worldbank.org/> for a copy of this Directive.

2. General Provisions

2.1. General

2.1.1. Subject to Sections III.2.1.3, III.2.2 and III.3.1 below, and in accordance with other provisions hereof, the Client has a right at any time to request any of the following Conversions: (i) a Currency Conversion, including Local Currency Conversion and Automatic Conversion to Local Currency; (ii) an Interest Rate Conversion, including Automatic Rate Fixing Conversion in respect of IBRD and IDA Non-concessional Loans only; and (iii) an Interest Rate Cap or Interest Rate Collar in respect of IBRD and IDA Non-concessional Loans only, subject to the terms of this Directive. The Bank effects all Conversions in accordance with this Directive, the General Conditions and the Loan or Financing Agreement, as applicable and subject to such additional terms and conditions, if agreed between the Bank and the Client. The Bank reserves the right to reject any Request in its absolute discretion.

2.1.2. Except as otherwise agreed by the Bank, the Client is not permitted to request additional Conversions of any portion of the Withdrawn Loan Balance that is subject to a Currency Conversion effected by a Currency Hedge Notes Transaction or otherwise terminate such Currency Conversion, for so long as such Currency Conversion is in effect. The Bank effects each such Currency Conversion on the basis of such terms and conditions as separately agreed by the Bank and the Client, and the Client costs include any applicable transaction and other costs, including costs covering the underwriting costs of the Bank in connection with the Currency Hedge

Notes Transaction.

2.1.3. If a Loan does not have the provisions allowing for the request and execution of the Conversions (including, without limitation, historic Variable Spread Loans (VSL), IBRD Flexible Loans (IFL) with a Variable Spread or any IDA Loans), the Client and the Bank amend the relevant Loan or Financing Agreement to allow for the request and execution of the Conversions.

2.1.4. The Bank has a right at any time to terminate a Conversion prior to its maturity if (a) the underlying Market Transaction(s) undertaken by the Bank in connection with the said Conversion is/are terminated as a result of it becoming impractical, impossible or unlawful for the Bank or its counterparty in a Market Transaction to make a payment or to receive a payment on the terms agreed upon in such Market Transaction due: (i) to the adoption of, or any change in, any applicable law after the date on which such Conversion is executed, (ii) to the interpretation by any court, tribunal or regulatory authority with competent jurisdiction of any applicable law after such date or any change in any such interpretation; and (b) the Bank is unable to find a replacement Market Transaction with a counterparty and on terms acceptable to the Bank. Upon any such termination, the provision of the relevant General Conditions on "Termination of Conversion Period prior to Final Maturity" applies. If, as a result of the termination of a Market Transaction as provided in this Section III.2.1.4, an Unwinding Amount is payable by either the Bank or the Client, Section III.12.3.2 of this Directive applies.

2.1.5. The General Conditions or applicable Loan or Financing Agreements establish additional early termination rights for the Bank and the Client. If the Client terminates a Conversion at any time prior to its maturity, it provides a written notice thereof to the Bank, signed by the Client's authorized representative described in Section III.4.3 of this Directive. In the event of an early termination of a Conversion, the Bank proceeds to effect such early termination of the Conversion, subject to Section III.2.1.6 of this Directive, and determines the applicable effective date of the early termination. If, as a result of such early termination, any Unwinding Amount is payable by either the Bank or the Client, Section III.12.3.2 of this Directive applies. The Client also pays any applicable transaction fees in case of such early termination.

2.1.6. In case of an early termination of a Conversion, the Bank retains the right to unwind the relevant Conversion completely or effect an overlay new Market Transaction. For avoidance of doubt, in each case, the applicable mark-to-market amount reflecting the gains or losses of the relevant Conversion represents the Unwinding Amount of such early termination, the payment of which is described in Section III.12.3 of this Directive.

2.2. Maximum and Minimum Amounts

2.2.1. Unless the Bank otherwise agrees, the minimum principal amount of the Loan in respect of which the Client requests a Conversion in a single Request is USD 3,000,000.00 equivalent or 10% of the total amount of the Loan, whichever is higher. This minimum threshold does not apply to Requests for Conversions with respect to the last Disbursed Amount under the Loan, Requests for Currency Conversions of unwithdrawn amounts of the Loan, or Requests for Automatic Rate Fixing Conversions at the end of interest periods as described in Sections III.3.4.2 and III.3.4.3 below. The Bank determines the appropriate minimum threshold for Requests for Automatic Conversion to Local Currency on a case-by-case basis.

2.2.2. Unless the Bank otherwise agrees, the maximum principal amount of the Loan in respect of which the Client requests a Conversion in a single Request is: (a) USD 500,000,000 equivalent for a Currency Conversion if both the Loan Currency and the Approved Currency for the

conversion are US Dollars, Euro, Yen or Sterling or for an Interest Rate Cap or Interest Rate Collar if the Loan Currency is US Dollars, Euro, Yen or Sterling; (b) USD 1,000,000,000 equivalent for an Interest Rate Conversion if the Loan Currency is US Dollars, Euro, Yen or Sterling; and (c) such amount as reasonably determined by the Bank in the case of any other Conversion.

3. Conversions

3.1. Types of Conversions

3.1.1. Currency Conversions. The Bank offers the following types of Currency Conversions:

- (a) Currency Conversion to an Approved Currency of an amount of the Unwithdrawn Loan Balance, provided that the Bank offers this type of a Conversion only into the following currencies: Euro, Sterling, Yen and US Dollar and only with respect to the Loans based on a Variable Spread¹ – available to IBRD and IDA Non-concessional Loans only;
- (b) Currency Conversion to an Approved Currency of an amount of the Withdrawn Loan Balance² – available to all IBRD and IDA Loans; and
- (c) Automatic Conversion to Local Currency upon withdrawal – available to all IBRD and IDA Loans.

3.1.2. Interest Rate Conversions. The Bank offers the following types of Interest Rate Conversions applicable to all or any amount of the Withdrawn Loan Balance of IBRD and IDA Non-concessional Loans only:

- (a) from Variable Rate based on a Reference Rate and Fixed Spread to Fixed Rate and vice versa;³
- (b) from a Variable Rate based on a Reference Rate and the Variable Spread to a Variable Rate based on a Fixed Reference Rate and the Variable Spread or vice versa; and
- (c) Automatic Rate Fixing Conversion, which, for the avoidance of doubt, is for the fixing of the Reference Rate component only.

3.1.3. Interest Rate Caps and Collars. The Bank offers the Interest Rate Caps and Interest Rate Collars with respect to IBRD and IDA Non-concessional Loans only and effects them in accordance with relevant provisions of the General Conditions.

3.2. Automatic Conversion to Local Currency⁴

3.2.1. Form of Request. The Client includes election of Automatic Conversion to Local Currency in the Loan or Financing Agreement or submits a separate Request for Automatic Conversion to Local Currency at any time with respect to all future withdrawals of the Loan. The Bank effects

¹ Certain Conversions involving application of a Fixed Spread during the Conversion Period are not available due to the suspension of the Fixed Spread terms in IBRD Loans. For the avoidance of doubt, SDPLs continue to be available as their fixed spread is approved by the Board.

² Same as above.

³ Applies to SDPLs and legacy FSLs.

⁴ For legacy VSLs (governed by the General Conditions that do not contain appropriate provisions), the Bank offers the Automatic Conversions to Local Currency only with an appropriate amendment to the Loan Agreement (see Section III.2.1.3).

the Automatic Conversion to Local Currency at the time of disbursements from the Loan Account in the manner described for Currency Conversions in this Directive. The Bank and the Client determine the arrangements for each Automatic Conversion to Local Currency on a case-by-case basis and reflect them in an Annex to the Loan or Financing Agreement or to the Request for the Automatic Conversion to Local Currency (the “ACLC Annex”).

3.2.2. Adjustment to Interest Periods. Notwithstanding any provision to the contrary in the Loan or Financing Agreement, if the Client withdraws an amount subject to an Automatic Conversion to Local Currency within a period of fifteen (15) Business Days prior to an Interest Payment Date, the Bank, in consultation with the Client, determines whether the initial Interest Period for that withdrawn amount runs from and including the date of the withdrawal to and excluding the originally scheduled second Interest Payment Date following the date of such withdrawal.

3.2.3. Payment of Front-End Fee in IBRD and IDA Non-concessional Loans. In case the Client elects the Automatic Conversion to Local Currency at the Loan Agreement signing, the Client typically pays the front-end fee out of its own resources, as provided in the Loan Agreement. However, if the Bank agrees, the Client pays the front-end fee out of the proceeds of the Loan. In such case and subject to any conditions set forth by the Bank, the Bank deducts any amounts in respect of the front-end fee from the Loan Account on the date provided for in the Loan Agreement and converts it to Local Currency when the aggregate withdrawals reach at least USD 3,000,000.00.

3.2.4. Withdrawal of Request of Automatic Conversion to Local Currency. The Client withdraws the Request for Automatic Conversion to Local Currency (or terminate the relevant provisions of the Loan or Financing Agreement) by at least fifteen (15) Business Days’ prior written notice to the Bank and the currency and interest rate of the Loan revert to those applicable prior to the Automatic Conversion to Local Currency, subject to Section III.3.5.4 below. Unless the Bank otherwise agrees, the Client is not permitted to submit a request for withdrawal from the Loan Account during the above notice period.

3.2.5. Termination of Automatic Conversion to Local Currency. In addition, if, at any time, the Bank is unable to execute any Automatic Conversion to Local Currency pursuant to the terms of the ACLC Annex, such Automatic Conversion to Local Currency terminates with respect to the relevant disbursed amount (with any relevant provisions of the Loan or Financing Agreement with respect to the Automatic Conversion to Local Currency ceasing to apply to the Loan without the need for a separate amendment) and the currency and interest rate of the Loan revert to those applicable prior to the Automatic Conversion to Local Currency, subject to Section III.3.5.4 below. The terms of the then existing Automatic Conversion to Local Currency continue to apply to any such Conversions effected prior to such termination.

3.3. Local Currency Conversions on “Non-Deliverable” Terms

3.3.1. The Bank offers Local Currency Conversions on non-deliverable terms with the repayments denominated in Local Currency and settled in USD, or in other major currencies (an “NDS Currency Conversion”). The availability of these terms depends on the Bank’s ability to enter into a Market Transaction for such Conversion.

3.3.2. The Bank executes each NDS Currency Conversion pursuant to the Client’s Request in accordance with this Directive and on the following terms:

- (a) the NDS Currency Conversion is from US Dollars, Euro, Yen or Sterling into an Approved

Currency other than US Dollar, Euro, Yen or Sterling on non-deliverable terms as specified in the Request;

- (b) the Client pays a transaction fee for an NDS Currency Conversion as provided for in Section III.12.3.1 below;
- (c) all payments of principal and interest are on non-deliverable terms and made in US Dollars, or in other major currencies, on terms substantially as provided in Section III.3.3.3 below;
- (d) the Bank generates the bill for the principal and interest payable in respect of an NDS Currency Conversion two (2) Business Days after the Valuation Date. Furthermore, in accordance with the relevant Section of the General Conditions applicable to each Loan or Financing Agreement providing for the delivery of notices and requests, the Bank sends notices relating to the payment of interest and principal in respect of an NDS Currency Conversion to the Client, among others, through an electronic messaging system with effective date on the date that the Client receives the electronic message.

3.3.3. On each date on which interest and/or principal are payable under the terms of the Loan or Financing Agreement (together a “Settlement Date”), the Bank determines all payments due under the NDS Currency Conversion (the “Settlement Amount”) on such Settlement Date in accordance with the terms of the related Currency Hedge Transaction and the Client pays such amounts in USD or other major currency acceptable to the Bank (the “Settlement Currency”), substantially in accordance with the following formula, as applicable:

$$\frac{\text{Interest Amount} + [\text{Service Charge}]^5 + \text{Amortization Amount}}{\text{Settlement Rate}}$$

3.3.4. Notwithstanding any provision to the contrary in the Loan or Financing Agreement and subject to the Bank’s early termination rights set forth in the General Conditions and this Directive, in respect of the IBRD or IDA Non-concessional Loan, interest on overdue Principal Amount accrues and is payable in the Settlement Currency (as part of any Settlement Amount) on an applicable Settlement Date as follows:

- (a) for the first thirty (30) days such portion of the Settlement Amount remains unpaid after the Settlement Date, at the Variable Rate applicable to the Loan in the original Loan Currency on the Settlement Date prior to any Conversion plus any transaction fees; and
- (b) from the thirty first (31st) day such portion of the Settlement Amount remains unpaid until payment in full, at either: (a) the Default Interest Rate (if any) applicable to the Loan in the original Loan Currency plus any transaction fees; or (b) if Default Interest is not applicable to the Loan, at the Variable Rate applicable to the Loan in the original Loan Currency on the Settlement Date prior to the Conversion plus any transaction fees; in either case in accordance with the terms of the Loan or Financing Agreement.

3.3.5. Notwithstanding any provision to the contrary in the Financing Agreement and subject to the Bank’s early termination rights set forth in the General Conditions and this Directive, in respect of an IDA Concessional Loan, the service charge and interest on overdue Principal Amount accrue and are payable in the Settlement Currency (as part of any Settlement Amount) on an

⁵ Applicable only to IDA Loan in the form of a Concessional Financing.

applicable Settlement Date at the interest rate and service charge applicable to the Loan in the original Loan Currency on the Settlement Date prior to any Conversion plus any transaction fees.

3.3.6. The Bank in its discretion accepts the Client's request to modify the NDS Currency Conversion into a regular Currency Conversion where the Approved Currency becomes the Settlement Currency, subject to market conditions and such terms as the parties agree, including the costs of such modification, as applicable.

3.4. Automatic Rate Fixing⁶

3.4.1. Due to the suspension of the Fixed Spread terms under the Bank's "IBRD Flexible Loan" product, Automatic Rate Fixing is offered only with respect to fixing the Reference Rate component of the interest rate under the Loan.⁷ The Client requests Automatic Rate Fixing in the Loan Agreement or submits a separate Request for Automatic Rate Fixing at any time, specifying that the Conversion is to be effected at each withdrawal either:

- (a) at specified intervals which coincide with Interest Periods under the Loan; or
- (b) each time withdrawals reach a single specified threshold of not less than USD 3,000,000.00 or 10 % of the Loan, whichever is higher, unless the Bank otherwise agrees.

3.4.2. Automatic Rate Fixing at the End of Each Interest Period. If the Client requests an Automatic Rate Fixing at the end of each Interest Period, the Bank converts all amounts of the Loan withdrawn during an Interest Period with effect from the first day of the next Interest Period.

3.4.3. Automatic Rate Fixing at the End of Multiple Interest Periods. If the Client requests an Automatic Rate Fixing at the end of multiple Interest Periods (e.g., after every 2 or 3 Interest Periods), the Bank converts all amounts of the Loan withdrawn during such multiple Interest Periods with effect from the first day of the Interest Period next following the end of such multiple Interest Periods.

3.4.4. Automatic Rate Fixing by Reference to a Cumulative Amount of Withdrawals. If the Client requests an Automatic Rate Fixing every time a specified cumulative amount of the Loan has been withdrawn, the Bank executes such Conversion promptly upon reaching the threshold amount and with effect from the Conversion Date. The converted amount is: (i) limited to the indicated threshold (or a multiple thereof); or (ii) for the full amount of the Loan withdrawn but not yet converted, provided that the final Automatic Rate Fixing is for the remaining Withdrawn Loan Balance, irrespective of the amount involved. The Automatic Rate Fixing described in this Section III.3.4.4 is not available on Loans with disbursement-linked repayment schedules.

3.4.5. Withdrawal of Request for Automatic Rate Fixing. A Client withdraws a Request for Automatic Rate Fixing at any time in accordance with Section III.5.4 below. Such withdrawal is effective upon its written acceptance by the Bank without the need for a separate amendment of the Loan Agreement. Consequently, any portions of the Loan on which the interest rate is not fixed pursuant to the withdrawn Request for Automatic Rate Fixing continue to accrue interest at the Variable Rate applicable prior to such Automatic Rate Fixing Conversion, subject to Section

⁶ For legacy VSLs (governed by the General Conditions that do not contain appropriate provisions), Automatic Rate Fixing is offered only with an appropriate amendment to the Loan Agreement (see Section III.2.1.3).

⁷ Accordingly, Automatic Rate Fixing Conversions to fully fix the Interest Rate under the Loan are only available for the SDPLs and legacy FSLs.

III.3.5.4 below.

3.5. Effecting Conversions

3.5.1. Fixed Rate Conversions. The Bank effects Conversions into a Fixed Rate in the following manner:

- (a) for an Interest Rate Conversion from the Variable Rate based on a Reference Rate and a Fixed Spread,⁸ by converting the Variable Rate of a Loan to a fixed rate equal to either: (i) the interest rate that reflects the fixed rate of interest payable by the Bank under the Interest Hedge Transaction relating to the Conversion (adjusted for the difference, if any, between the Variable Rate and the variable rate of interest receivable by the Bank under the Interest Hedge Transaction); or (ii) the Screen Rate; and
- (b) for a Currency Conversion of an amount of the Loan that accrues interest at a fixed rate during the Conversion Period, by converting the applicable interest rate into a fixed rate equal to either: (i) the interest rate that reflects the fixed rate of interest payable by the Bank under the Currency Hedge Transaction relating to the Currency Conversion; or (ii) the Screen Rate,⁹ as applicable;

provided that the Fixed Rate Conversions described in this Section III.3.5.1 are not available in case a Conversion involves application of a Fixed Spread during the Conversion Period (e.g., Interest Rate Conversion from the Variable Rate based on a Reference Rate and a Variable Spread to a Fixed Rate, including under the Automatic Rate Fixing, or Currency Conversions from one major currency to another where the Interest Rate following the Conversion includes a Fixed Spread).¹⁰

3.5.2. Variable Rate Conversions. The Bank effects Conversions into Variable Rate in the following manner:

- (a) for an Interest Rate Conversion from Variable Rate based on a Reference Rate and the Variable Spread to a Variable Rate based on a Fixed Reference Rate and the Variable Spread, by converting the Variable Rate applicable prior to the Conversion to a variable rate equal to the sum of: (A) the Fixed Reference Rate for the Loan Currency; plus (B) the Variable Spread; provided that the Bank determines the Fixed Reference Rate as the fixed rate equivalent of the relevant Reference Rate for the Loan Currency applicable to the amount of the Loan to which the Conversion applies, equal to (i) the interest rate that reflects the fixed rate of interest payable by the Bank under the Interest Hedge Transaction relating to the Conversion; or (ii) the Screen Rate;
- (b) for an Interest Rate Conversion from Variable Rate based on a Fixed Reference Rate and the Variable Spread to a Variable Rate based on a Reference Rate and a Variable Spread, by converting the Variable Rate applicable prior to the Conversion to a variable rate equal to the sum of: (A) the Reference Rate for the Loan Currency; plus (B) a spread (if any) to the Reference Rate as reasonably determined by the Bank; plus (C) the Variable Spread;

⁸ Conversion to Fixed Rate for Loans based on a Reference Rate and a Variable Spread are not available due to the suspension of the Fixed Spread terms in IBRD Loans, as Variable Spread can no longer be converted to a Fixed Spread.

⁹ Currency conversions for IDA Concessional Loans are not effected based on a Screen Rate at current stage.

¹⁰ These types of Conversions are not offered following the suspension of the Fixed Spread terms in IBRD Loans until further notice, except with respect to SDPLs and legacy FSLs.

and

- (c) for an Interest Rate Conversion from a Fixed Rate to a Variable Rate based on a Reference Rate and a Fixed Spread,¹¹ by converting such Fixed Rate into a variable rate equal to either: (i) the sum of: (A) the Reference Rate for the Loan Currency; plus (B) any adjustment to reflect changes in market levels consistent with the Interest Hedge Transaction relating to the Conversion; or (ii) the Screen Rate.

3.5.3. Currency Conversions. The Bank effects Currency Conversions as described in this Section III.3.5.3.

(a) Currency Conversions for Unwithdrawn Amounts.¹²

- (i) The Bank determines the principal amount of a Currency Conversion to an Approved Currency of an amount of the Unwithdrawn Loan Balance on the basis of a Screen Rate, as described in the applicable General Conditions.
- (ii) For a Currency Conversion of any of such amount of the Unwithdrawn Loan Balance, the Bank converts (x) the Loan Currency to an Approved Currency, which is also a lending currency of the Bank, and (y) the Variable Rate based on a Variable Spread applicable prior to the Conversion to a variable rate equal to the sum of the Reference Rate and a Variable Spread in respect of the Approved Currency.

(b) Currency Conversions for Withdrawn Amounts.

- (i) In case of IBRD and IDA Non-concessional Loans, the Bank effects Currency Conversions to an Approved Currency of an amount of the Withdrawn Loan Balance from a Variable Rate based on a Reference Rate and a Variable Spread in one Bank's lending currency into a Reference Rate and a Variable Spread in another Bank's lending currency by determining the principal amount of a Currency Conversion to an Approved Currency of an amount of the Withdrawn Loan Balance on the basis of a Screen Rate and converting (x) the Loan Currency to an Approved Currency, which is also a lending currency of the Bank, and (y) the Variable Rate based on a Variable Spread applicable prior to the Conversion to a variable rate equal to the sum of the Reference Rate and a Variable Spread in respect of the Approved Currency. If such Currency Conversion includes a Fixed Reference Rate in the new major currency, the Bank effects the Conversion on the basis of Screen Rates or Market Transactions for the Reference Rate fixing portion of the Conversion.
- (ii) Except as described in Section III.3.5.3(b)(i) above, in all other Currency Conversions of an amount of the Withdrawn Loan Balance to an Approved Currency (including the Automatic Conversion to Local Currency), the Bank converts (x) the Loan Currency to such Approved Currency and (y) the rate of interest applicable prior to the Conversion to a variable or fixed rate, as applicable, which:

¹¹ Spread unfixing is not offered, so Interest Rate Conversions (i) from Variable Rate based on the Fixed Spread to a Variable Rate based on the Variable Spread, or (ii) from a Fixed Rate to a Variable Rate based on the Variable Spread are not available.

¹² Currently offered only for the lending currencies of the Bank, which are US dollar, Euro, Yen or Sterling and only for Loans based on a Variable Spread due to the suspension of the Fixed Spread terms in IBRD Loans until further notice. Not available for IDA Concessional Loans at current stage.

- for a Currency Conversion to a Variable Rate based on a Reference Rate and a fixed spread, is equal to either: (A) the sum of: (1) the Reference Rate for the Approved Currency; plus (2) a fixed spread to the Reference Rate, if any, payable by the Bank under the Currency Hedge Transaction relating to the Currency Conversion; or (B) the Screen Rate, provided that such Currency Conversion is offered only for legacy Loans based on a Fixed Spread;¹³ or
 - for a Currency Conversion to a variable rate based on a Reference Rate and a variable spread, is equal to the sum of: (A) the Reference Rate for the Approved Currency; plus (B) a fixed spread (if any) to the Reference Rate for the Approved Currency as reasonably determined by the Bank; plus (C) the Variable Spread for any lending currency of the Bank or the Residual Spread for any Local Currency; or
 - for a Currency Conversion to a variable rate based on a Fixed Reference Rate and a variable spread, is equal to the sum of: (A) the Fixed Reference Rate for the Approved Currency; plus (B) the Variable Spread for any lending currency of the Bank or the Residual Spread for any Local Currency; and
 - for a Currency Conversion to a fixed rate, as determined in Section III.3.5.1(b) above, subject to any applicable Residual Variable Spread in the original Loan Currency.
- (iii) The Bank executes the Local Currency Conversions from a Variable Rate based on a Reference Rate and a Variable Spread into a Variable Rate based on either a Fixed Reference Rate or a Reference Rate and a variable spread in the Approved Currency as described in Section III.3.5.3(b)(ii) above. The Bank converts the Variable Spread of the interest rate prior to the Conversion in respect of the “hedging base” of the Bank (or the “hedged” portion of the Variable Spread), which together with any remaining Residual Spread (the “unhedged” portion of the Variable Spread) constitutes the final variable spread resulting after the Conversion. The Bank adjusts the Residual Spread in the Approved Currency to reflect IBRD’s funding cost and movements in the foreign exchange rates during the relevant period, as reasonably determined by the Bank. Furthermore, for the Loans with a Variable Spread that convert into a Local Currency while retaining the variable spread, the Bank does not offer fixing of such variable spread during the life of the Local Currency Conversion.

3.5.4. *Spread Treatment on Termination.* In case of a termination of a Conversion prior to its maturity (including, without limitation, in case of an early termination, withdrawal of a request for an Automatic Conversion to Local Currency or an Automatic Rate Fixing or a partial maturity Conversion) and such Conversion is a legacy Conversion from a Variable Rate based on a Variable Spread to a Variable Rate based on a Fixed Spread or to a Fixed Rate, where the Bank had previously effected the Conversion by first fixing the Variable Spread, the interest rate to which the Loan reverts after such Conversion termination, has the Fixed Spread applied to execute the Conversion initially (i.e., the interest rate cannot revert to the original Variable

¹³ Available for certain Conversions only – Conversion of a legacy FSL to another currency and interest rate with a “fixed spread” is possible (based on market swap term); VSL Conversion to another currency and interest rate with a “fixed spread” or to “fixed rate” are not possible (b/c the Variable Spread would first have to be fixed into the Fixed Spread).

Spread).¹⁴

3.5.5. Charges in Currency Conversions for IDA Concessional Loans. IDA provides Concessional Loans with a fixed interest rate and fixed service charge. In case of Currency Conversions on such loans, the aggregated interest and service charges applicable after the Conversion is executed cannot be less than zero.

3.6. Basis of Effecting Conversions

3.6.1. The Bank effects all types of Conversions on the basis of Screen Rates¹⁵ and/or Market Transactions, as appropriate. For the avoidance of doubt, the Bank may reject any Conversion Request, if it is unable to effect it on reasonably acceptable terms to the Bank for purposes of managing its exposure in connection with any such proposed conversion, including inability to find Market Transactions.

3.6.2. Screen Rates. In effecting the Conversions, the Bank uses the Screen Rates reflecting the Conversion Period, the Currency amount and the repayment provisions of the amount of the Loan to which the Conversion applies and adjusts them by the applicable spreads and market convention. For a Currency Conversion of an amount of the Unwithdrawn Loan Balance, the Bank determines the exchange rate between the Loan Currency applicable prior to the Conversion and the Approved Currency by on the Execution Date on the basis of the Screen Rates.

3.6.3. Market Transactions. Any Market Transaction undertaken by the Bank in effecting a Conversion reflects the financial terms for the amount of the Loan to be converted, except for the applicable floor¹⁶ in respect of the interest rate, unless otherwise agreed by the Bank. For the avoidance of doubt, the converted interest rate (excluding the applicable fees) is also subject to a zero floor. In effecting the Conversions, the Bank uses the Market Transactions in the following manner:

- (a) For Interest Rate Conversions, the terms of the relevant Interest Hedge Transaction reflect: (i) the relevant Conversion Period; (ii) the interest rate (without the floor) prevailing in the Loan Currency on the Execution Date in respect of such portion of the Loan; and (iii) the repayment provisions relating to such portion.
- (b) For Currency Conversions, the terms of the relevant Currency Hedge Transaction reflect: (i) the relevant Conversion Period; (ii) the spot or forward exchange rate between the existing Loan Currency and the Approved Currency into which the portion of the Loan is to be converted, for value on the Conversion Date; (iii) the interest rates (without the floor) prevailing in the existing Loan Currency and the Approved Currency on the Execution Date; (iv) the repayment provisions relating to such portion; and (v) for Local Currency Conversion of a Loan with a Variable Spread, an adjustment based on the Bank's funding cost, the contractual lending spread (net of waivers) and maturity premium (if any) of the underlying Loan.

3.6.4. Amount of Market Transactions; Multiple Market Transactions. If the Bank is unable to find a suitable Market Transaction matching the amount of the Loan requested to be converted by the

¹⁴ Only applicable for legacy Conversions from VSLs involving a Fixed Spread. For new Conversions, fixing the Variable Spread to Fixed Spread is no longer offered due to the suspension of the Fixed Spread terms in IBRD Loans.

¹⁵ Currency Conversions for IDA Concessional Loans are not effected based on a Screen Rate at current stage.

¹⁶ All IBRD loans and IDA credits and loans are subject to a zero floor on the applicable lending rate. Also, refer to Section III.3.5.5 on the zero-floor applicable to IDA Concessional Loan charges.

Client, the Bank effects (i) a Market Transaction in respect of amounts that are smaller or larger than the amount of the Loan requested to be converted by the Client or (ii) several Market Transactions. In such event, the Bank determines the consolidated rate or premium applicable to the total amount of the Loan subject to the Conversion, on the basis of the weighted average of the rates or the pro-rata of the total amount of premia obtained in all Market Transactions undertaken to effect such Conversion.

3.6.5. *Adjustments to Market Transactions.* The Bank enters into an Interest Hedge Transaction or a Currency Hedge Transaction based on the existing interest rate (without the floor) applicable to the portion of the Loan being converted. The Bank enters into such Interest Hedge Transaction or Currency Hedge Transaction based on the interest rates then prevailing in the market and adjusts the new rate of interest payable by the Client on the affected portion of the Loan to reflect the difference between the interest rate applicable to that portion of the Loan prior to the Interest Rate Conversion and the interest rates then prevailing in the market. On a case-by-case basis, the Bank takes into account any payment from the Client to the Bank of a mark-to-market amount that reflects the market value of the interest rate change.

3.7. Conversion Options and Hedging Products

The Bank executes Conversions in the Loans that provide for Conversion options in their Loan Agreements. Where the Bank accepts a request from a Client for a stand-alone hedging transaction, as provided in the Hedging Guidelines, in respect of a Loan from IBRD (an “IBRD Hedge”) that contains Conversion options, the Bank does not subsequently accept a Request for a Conversion in respect of any amount of the Loan comprised in such IBRD Hedge so long as the IBRD Hedge remains outstanding in the same period.¹⁷

4. Request for Conversion

4.1. General

4.1.1. The Client submits a Request to the Bank at any time substantially in the form of the appropriate Conversion Request Form provided in Annex A. In the form of Request, the Client makes the following representations:

- (a) it has made its own independent decision to request such Conversion;
- (b) it is not relying on any communication or confirmation from the Bank as a recommendation to request such Conversion;
- (c) unless expressly agreed by the Bank and the Client by separate agreement, the Bank is not acting as a fiduciary for, or an advisor to, the Client in respect of such Conversion;
- (d) it understands and accepts the terms, conditions and risks of such Conversion and it expressly assumes the financial risks of such Conversion;
- (e) it is undertaking the Conversion in order to facilitate prudent debt management and not for speculative purposes; and
- (f) the representative signing the Request is authorized to do so.

¹⁷ Not applicable to IDA Conversions because IDA has no standalone interest or currency hedge framework.

4.1.2. The Client makes the Requests in writing and delivers them to the Bank by hand, courier, mail (registered or certified) or electronic mail. The Client confirms by mail any deliveries made by electronic mail. The Bank is entitled to take action on the basis of a Request received by electronic mail.

4.2. Communication of Request

The Client delivers each Request to the Bank at the physical address or email address specified in Section III.4.4 below. The date of receipt by the Bank of a Request is:

- (a) the date it is delivered to the Bank at the physical address specified in Section III.4.4 below if sent by courier, by hand, or by certified or registered mail; and
- (b) the date received in legible form by the Bank at the email address specified in Section III.4.4 below, if sent by email.

4.3. Authorized Representative and Address of Client for Purposes of Making Requests

The authorized representative of the Client for purposes of making Requests is the official designated in the Loan or Financing Agreement as being authorized to agree to any modification or amplification of the Loan or Financing Agreement on behalf of the Client. The Client's address for the purposes of this Directive is the address specified in the Loan or Financing Agreement. If the authorized representative of the Client delegates the authority to make Requests to additional persons, before or at the time the Client makes a Request, the Client delivers to the Bank evidence of such delegation and the specimen signature of such authorized person, together with his/her title and address, including telephone and fax numbers and e-mail address.

4.4. Bank Address to which Request is to be Sent

International Bank for Reconstruction and Development or International Development Association
1818 H Street, N.W.
Washington, D.C. 20433 United States of America

Attention: WFA Trust Fund and Loans Department

E-mail: askloans@worldbank.org

4.5. Content of Request

4.5.1. Each Request provides the following information (refer to Annex A for forms of Request):

- (a) the Loan, identified by project name, Loan number and Loan tranche number (if applicable);
- (b) the portion of the Loan to be converted;
- (c) the type of Conversion requested, i.e., an Interest Rate Conversion, a Currency Conversion, or an Interest Rate Cap or Interest Rate Collar, as applicable;
- (d) the proposed Conversion Date;

- (e) the proposed Conversion Period;
- (f) the rationale for the Conversion requested by the Client;
- (g) special instructions, if any; and
- (h) authorization and specimen signature of authorized representative signing the Request, if not previously provided.

4.5.2. Each Request for an Interest Rate Conversion also provides the following additional information:

- (a) the type of the Conversion based on the elections available on the Request form;
- (b) for a Conditional Request, the information in respect of Section III.4.5.6 below.

4.5.3. Each Request for a Currency Conversion also provides the following additional information:¹⁸

- (a) the Approved Currency into which the Client wishes to convert all or any portion of the principal amount of the Loan;
- (b) in the case of a Conversion of only part of a still disbursing Loan, the portions of the withdrawn and unwithdrawn amounts of the Loan to which the Conversion applies, as applicable;

And for Conversions of Withdrawn Amounts only:

- (a) the applicable interest rate type;
- (b) for a Conditional Request, the information in respect of Section III.4.5.6 below;
- (c) for a Local Currency Conversion Request, whether such Conversion is on deliverable or non-deliverable terms (as provided in Section III.3.3 above); and
- (d) for a Local Currency Conversion on non-deliverable terms, the name and source of the Settlement Rate (as defined in Section III.3.3.3 above) and any other relevant information.

4.5.4. Each Request for an Interest Rate Cap also includes the following additional information:

- (a) the upper limit applicable to the Variable Rate or to the Reference Rate (in the case of a Loan retaining, a Variable Spread); and
- (b) in respect of the premium (determined pursuant to the provisions of Section III.12.4 below), if the Closing Date for the Loan has not yet occurred and payment of such premium out of the proceeds of the Loan is permissible under the Loan or Financing Agreement, whether, subject to the provisions of Section III.12.5 below, the Client pays such premium out of such proceeds or out of its own resources.

¹⁸ See also Sections III.8 and III.9 for additional information, which the Client may include at the time of a Request for a Currency Conversion of an unwithdrawn amount of the Loan, regarding withdrawal categories and Special Account(s).

4.5.5. Each Request for the establishment of an Interest Rate Collar also includes the following additional information:

- (a) the upper limit and the lower limit applicable to the Variable Rate or to the Reference Rate (in the case of a Loan that retaining a Variable Spread);
- (b) for a Zero Cost Collar, the upper limit applicable to the Variable Rate or to the Reference Rate (in the case of a Loan that has, and will retain, a Variable Spread); and
- (c) if the Closing Date for the Loan has not yet occurred and payment of such premium out of the proceeds of the Loan is permissible under the Loan or Financing Agreement, whether, subject to the provisions of Section III.12.5 below, the Client pays such premium out of such proceeds or out of its own resources.

4.5.6. If the Client wishes to specify certain conditions relating to the terms of the Conversion requested, it submits a “Conditional Request” as follows:

- (a) if the Client requests an Interest Rate Conversion or a Currency Conversion, the Request specifies the maximum for any of the following: (i) Fixed Rate, or (ii) Fixed Reference Rate, or (iii) spread over the Reference Rate¹⁹ to be paid by the Bank under the Interest or Currency Hedge Transaction, in each case that the Client is willing to pay following such Conversion; and
- (b) any other instructions in the “Special Instructions” field of the Conversion Request.

4.5.7. *Subsequent Requests.* If, after requesting a Conversion in respect of any amounts of the Loan, the Client submits a new Request for another Conversion, the Bank typically effects such Request in addition to the existing Conversion (for the avoidance of doubt, without the need to amend the prior Conversion Requests or Loan or Financing Agreements, as applicable).

4.6. Conversion Date

The Conversion Date (which is the date on which the Conversion becomes effective and the related Conversion Period starts) is any one of the following, subject at all times to the relevant Loan or Financing Agreement:

- (a) the Execution Date (as defined in the relevant General Conditions);
- (b) the Interest Payment Date, as specified in the Loan or Financing Agreement;
- (c) for a Request for a Currency Conversion of a withdrawn portion of the Loan, an Interest Rate Conversion or an Interest Rate Cap or an Interest Rate Collar received by the Bank within fifteen (15) Business Days prior to an Interest Payment Date, the next following Interest Payment Date or such other date as agreed by the Client and the Bank;
- (d) for a Request for an Automatic Conversion to Local Currency, the applicable withdrawal date;
- (e) for a Request for an Automatic Rate Fixing Conversions described in Section III.3.4, the

¹⁹ For the avoidance of doubt, this does not represent the Variable Spread or the Residual Spread for Local Currency Conversions, as applicable.

applicable first date of the Interest Period after the applicable withdrawal date, as described in Sections III.3.4.2 and III.3.4.3, and on or about the applicable withdrawal date when the cumulative withdrawals reach the indicated threshold for the Conversion described in Section III.3.4.4; or

(f) Any other date as agreed by the Client and the Bank.

5. Execution Period

5.1. General

5.1.1. The Bank exercises reasonable efforts to execute within the Execution Period any Request which is in form and substance satisfactory and acceptable to the Bank. However, the Bank is not liable if, in the exercise of such reasonable efforts, it fails to do so. If the Bank and the Client agree, the Execution Period is extended for any Conversion.

5.1.2. Since interest and exchange rates fluctuate throughout the Execution Period, and the range of rates becomes known only after the end of the Execution Period, the Bank does not guarantee any specific results in obtaining financial terms of a Conversion. However, in effecting a Conversion, the Bank exercises the same standard of care as it uses with respect to transactions it enters into for its own account.

5.1.3. If, during the Execution Period, any national or international calamity or development, crisis of a political or economic nature or change in the relevant financial markets occurs, the effect of which, in the judgment of the Bank, materially and adversely affects its ability to execute such Conversion, the Bank notifies the Client of such circumstances, and the Bank and the Client together determine the appropriate arrangements.

5.1.4. The Client and the Bank each consent to the recording of telephone conversations concerning Conversions.

5.2. Processing of Request

5.2.1. *Acknowledgement of Receipt.* Promptly after receipt of any Request by Loan Client Services, the Bank notifies the Client of its receipt of the Request at the address or e-mail specified by the Client pursuant to Section III.4.3 above or, in the absence of such specification, the address for notices specified in the Loan or Financing Agreement. Acknowledgement of receipt does not constitute acceptance of the Request.

5.2.2. *Review of Request.* Upon receipt of a Request, the Bank reviews it to determine whether the information presented in the Request is accurate and acceptable to the Bank and whether it is duly authorized by the Client.

5.2.3. *Acceptance of Request.* If the Bank finds the Request acceptable following the review referred to in Section III.5.2.2 above, it proceeds to effect the Conversion without a separate notification to the Client of its acceptance.

5.2.4. *Non-Complying Requests; Re-submission.* If the Bank determines that a Request does not comply with the requirements specified in the Loan or Financing Agreement and this Directive, it notifies the Client of its reasons for not accepting the Request. In that case, the Bank takes no further action to effect the Conversion. If the Client re-submits its Request taking into account the

Bank's comments, the Bank treats such Request as a new Request for the purposes of calculating the Execution Period.

5.3. Communications during Execution Period

If any follow-up discussions are necessary during the Execution Period for a Conversion, the Client and the Bank communicate by telephone or e-mail using the contact information provided by the parties pursuant to Sections III.4.3 and III.4.4 above or otherwise. So long as the terms of the Request do not change, the Bank relies on the identity of anyone communicating with the Bank by telephone and purporting to be an authorized representative of the Client. If the Client proposes any changes in the terms of the Request by telephone or e-mail, the Bank treats the Request as a non-complying Request and so notifies the Client. The Bank does not take any action in respect of such Request until the Client furnishes an amended Request. The Bank treats such amended Request as a new Request for purposes of calculating the Execution Period.

5.4. Withdrawal of Request

At any time during the Execution Period, if the Client wishes to withdraw a Request, it notifies the Bank in writing, furnished by e-mail to the Bank from the Authorized Representative or his/her designated representatives to be followed by a signed withdrawal notice to the Bank's address and contact information set forth in Section III.4.4 above. If the Bank receives the notice of withdrawal after it undertakes the related Market Transaction, or applies the Screen Rate(s), the Bank does not accept such request for withdrawal.

6. Execution

6.1. General

The Bank effects the Conversions following the process set forth in Section III.3 above.

6.2. Partial Amount Conversions

6.2.1. If the Client wishes to request that the Conversion apply to only part of the Loan (a "Partial Amount Conversion") and subject to the terms of the Loan or Financing Agreement and unless otherwise stated herein, the Client specifies in the Request the portion of the Loan to be converted, expressed as a percentage, an amount or a particular tranche(s). In the absence of any such specification by the Client, the Bank applies the Partial Amount Conversion pro rata across all remaining maturities of the Loan.

6.2.2. If the Client requests that a Currency Conversion apply to only part of the unwithdrawn amount of the Loan, the Bank applies the Partial Amount Conversion pro rata across all amounts remaining unwithdrawn and allocated to the withdrawal categories specified in the Loan or Financing Agreement (as applicable). If the Client wishes that the Conversion be applied to withdrawal categories in a different manner, it specifies so in the Request. Following any such Conversion, the Bank processes the reallocation following standard Bank policies and procedures for reallocating amounts among the categories.

6.3. Partial Maturity Conversions

If the Bank is unable to execute a Market Transaction for the full maturity of the Loan or the Client requests a Conversion for a shorter period (a "Partial Maturity Conversion") the provisions of this

Section III.6.3 apply.

6.3.1. *Partial Maturity Interest Rate Conversion*. If the Bank effects a Partial Maturity Conversion consisting of an Interest Rate Conversion, Interest Rate Cap or Interest Rate Collar, upon the expiry of the Conversion Period, the interest rate payable on the amount of the Loan to which such Conversion applies reverts to the interest rate that was applicable prior to such Conversion, subject to Section III.3.5.4 above.

6.3.2. *Partial Maturity Currency Conversion*. If the Bank effects a Partial Maturity Currency Conversion, the principal amount of the Loan in the original Loan Currency subject to repayment following the end of the Conversion Period is not known until the end of the Conversion Period, and depends on the difference between the exchange rates in effect at the beginning of the Conversion Period and at the end of such Conversion Period for the original Loan Currency and the Approved Currency. The Bank processes any such Partial Maturity Currency Conversion on a case-by-case basis. Any Client requesting such Partial Maturity Currency Conversion acknowledges that it is aware of this exchange rate risk and of the fact that a Currency Conversion for the full maturity of the Loan amount is available subject to market availability.

- (a) *Interest Rate*: During the Conversion Period of a Partial Maturity Currency Conversion, the interest rate payable on the amount of the Loan to which such Conversion applies is the interest rate applicable following such Conversion. Upon the expiry of the Conversion Period, the interest rate reverts to the interest rate that would have been applicable to such amount in the absence of such Conversion (subject to Section III.6.3.1 above).
- (b) *Currency*: During the Conversion Period of a Partial Maturity Currency Conversion, amounts payable by the Client, whether in respect of principal or of interest, is denominated in the Approved Currency of such Conversion. Upon the expiry of the Conversion Period, the currency of denomination reverts to the Loan Currency applicable prior to the Conversion.
- (c) *Principal Amounts*: Due to exchange rates fluctuations between the beginning and end of the Conversion Period the remaining principal amount of the Loan in the original Loan Currency is equal to, greater or lesser than the amount that was originally scheduled to be remaining in the Loan Currency. Upon termination of the Partial Maturity Currency Conversion, the Bank determines the remaining principal amount falling due after the Conversion Period by multiplying such remaining principal amount denominated in the Approved Currency by the applicable exchange rate for converting amounts from the Approved Currency into the Loan Currency prevailing prior to the last day of the Conversion Period as determined by the Bank in accordance with the Market Transaction relating to the Conversion.
- (d) *No Further Currency Conversions during Conversion Period for Partial Maturity Currency Conversions*: Unless otherwise agreed with the Bank, the Bank does not permit a further Currency Conversion of any amount for the same Conversion Period which is then subject to a Partial Maturity Currency Conversion.

6.3.3. *Roll-overs*. To limit the situation described in Section III.6.3.2(c) above, the Bank offers the “roll-over” of the Conversion until the maturity of the Loan. The exchange rate risk is mitigated if the same exchange rates are used at the end of the prior Market Transaction and the entry into of the roll-over Market Transaction. Such “roll-overs” remain subject to interest rate risk as the Bank executes the new Conversion at the interest rate prevailing at the time of the “roll-over”. The

Bank informs the Client of the end of the Conversion Period three (3) months prior to the maturity of the Conversion. If the Client wishes to “roll-over” the Conversion, the Client submits a new Request no less than fifteen (15) Business Days prior to the end of a Partial Maturity Currency Conversion. In that case, the Bank re-denominates the principal amount remaining due after the applicable Conversion Period in the Loan Currency, as described in Section III.6.3.2(c), and then converts it again into the Approved Currency.

6.4. Execution of Conditional Requests

6.4.1. Given the volatility of interest and exchange rates, the Bank gives no assurance that it is able to actually obtain the rate(s) specified in the Conditional Request, even if such rate prevail at any given point during the Execution Period.

6.4.2. If, during the Execution Period, the Bank is unable to execute the Conversion on the conditional terms set by the Client, the Conditional Request expires, and the Bank promptly notifies the Client thereof.

6.5. Notification following Execution Period

6.5.1. The Bank notifies the Client promptly following the end of the Execution Period of the terms of the Conversion (as described in Section III.6.5.2 below), or of the fact that the Conversion is not effected. The Bank sends all such notices to the Client at the address for notices specified in the Loan or Financing Agreement and, if different, any address specified by the Client pursuant to Section III.4.3 above. If the Bank is unable to effect the Conversion requested during the Execution Period, the Bank and the Client determine what actions, if any, to be taken.

6.5.2. Within ten (10) Business Days following the Execution Date of any Conversion, the Bank sends to the Client a Conversion notice setting out the terms obtained in the Conversion, including:

- (a) the details of the Conversion (including the Conversion Date);
- (b) if applicable, the revised amortization provisions applicable to the Loan;
- (c) if applicable, the new interest; and
- (d) if applicable, the exchange rate used in effecting a Currency Conversion.

6.5.3. For Currency Conversions in respect of the unwithdrawn amounts, following the Execution Date of a Conversion, the Bank notifies the Client, if applicable, of the revised withdrawal schedule and/or if any amount and denomination of the Loan subject to retroactive financing.

7. Payments during Conversion Period

7.1. Commencement of Conversion Period

The Conversion Period commences on the Conversion Date and terminates on an Interest Payment Date. As interest accrues in arrear, the Client pays any interest payable up to a Conversion Date at the rate applicable immediately prior to the Conversion. Any principal amount payable either:

- (a) on a Conversion Date (where a Conversion Date coincides with an Interest Payment Date); or
- (b) on an Interest Payment Date falling within a period of less than fifteen (15) Business Days from the date of submission of a Conversion Request;

does not form part of the amount converted and, in the case of a Currency Conversion, the Client pays such principal amount in the currency in which it was payable immediately prior to such Conversion, unless otherwise agreed by the Client and the Bank.

7.2. Conversion Period for Currency Conversions

The Bank deems the Conversion Period of a Currency Conversion extended (solely for the purpose of making payments of principal and interest²⁰) by one day to include the Interest Payment Date and, if applicable, the Principal Payment Date immediately following the final Interest Period of the Conversion Period. Thus, on such Principal/Interest Payment Date, the Client pays (i) principal and interest in the Approved Currency applicable during the Conversion Period, except in an NDS Currency Conversion, and (ii) interest and any applicable charges at the rate basis applicable during the Conversion Period.

7.3. Billing

The Bank gives notices relating to the payment of interest and principal amount in respect of a Conversion to the Client through an electronic messaging system, effective on the date when the Client receives the electronic message.

7.4. Rounding Convention used in Conversions

The Bank rounds all currency amounts to the nearest hundredth of the currency unit on US Dollar, Euro, and Sterling and to the nearest whole currency unit on Yen (e.g. 1.01 US Dollar and 1 Yen). For other currencies, the Bank determines the rounding on a case-by-case basis.

The Bank rounds interest rates to two decimal places.

In each case, the Bank rounds upwards if the number ends in a figure of five or above, and downwards if the number ends in a figure below five.

8. Special Commitments

The Bank does not convert the unwithdrawn amounts of the Loan subject to Special Commitments, except in the following circumstances:

- (a) the currency of the Special Commitment is the same as the Approved Currency into which that amount of the Loan is requested to be converted; or

²⁰ The Conversion Period runs up to the final day of an Interest Period. An Interest Period runs from one Interest Payment Date up to, but does not include, the next Interest Payment Date. In order to ensure that the Client makes the final payments at the end of a Conversion Period in the converted currency, it is necessary to extend the Conversion Period by this extra day. Without such extension, the Conversion Period terminates one day prior to the final Interest/Principal Payment Date, the Loan Currency reverts out of the converted currency into the original Loan Currency and the Client pays amounts due on this date in the original Loan Currency.

(b) the amount of the Special Commitment is significant in the opinion of the Bank.

If the Bank permits any amount subject to a Special Commitment to be included as part of a Currency Conversion, the Execution Period does not apply to such Conversion to allow sufficient time required to obtain any the third party agreements to redenominate the currency of the Special Commitment, as applicable. In such case, the Bank consults with the Client and seeks the Client's instructions on how to proceed.

9. Designated Accounts

9.1. Designated Accounts in New Approved Currency

If, as a result of a Currency Conversion of an unwithdrawn amount of the Loan, the Client wishes to open one or more Designated Accounts in the new Approved Currency, it specifies it either in the Request or separately. The Bank processes it separately from the Conversion, following normal procedures for amending the Loan Agreement or the Disbursement Letter, as applicable. In the absence of such specification, the Client continues to operate the existing Designated Account(s) in its currency of denomination.

9.2. Designated Accounts Refund and Limit Orders

In case of a refund with respect to the Loan Amounts in the Designated Account with an existing Conversion, the Bank does not accept limit orders with respect to early termination of such Conversion.

10. Retroactive Financing

To facilitate the administration, following a Conversion, of limits specified in the Loan Agreement on retroactive financing, the following provisions apply:

- (a) If the Client requests a Currency Conversion of the full unwithdrawn amount of the Loan to an Approved Currency, the Bank converts the amount specified in the Loan Agreement as being available for retroactive financing into the Approved Currency, but only to the extent that the amount available for retroactive financing remains unwithdrawn on the Conversion Date.
- (b) If the Client requests a Currency Conversion of only part of the unwithdrawn amount of the Loan to an Approved Currency, the amount of the Loan available for retroactive financing remains in the existing Loan Currency, but only to the extent that such amount does not exceed the unwithdrawn amount of the Loan that remains unconverted. If such amount exceeds the unwithdrawn amount of the Loan in the existing Loan Currency, the Bank converts such excess amount available for retroactive financing in the new Approved Currency (using a Screen Rate).

11. Development Policy Loans

If the Client requests a Currency Conversion of an unwithdrawn amount of a Development Policy Loan which has two or more tranches, the Bank converts the amount specified in the Loan Agreement as being the limit on withdrawals until the policy conditionality for the release of the next tranche is fulfilled, into the Approved Currency at the exchange rate used for the Conversion. The Bank processes it separately from the Conversion, following normal procedures for amending

the Loan Agreement.

12. Transaction Fees, Unwinding Amounts, Premia and Other Costs

12.1. Transactions in respect of which a Transaction Fee is Payable

The Client pays to the Bank transaction fees in respect of:

- (a) any Conversion;²¹ and
- (b) the early termination of any Conversion, unless otherwise stated herein.

12.2. Amount of Transaction Fee Payable

The Bank publishes the transaction fees in respect of the Conversions and early terminations of the Conversions on the Bank's website at <http://treasury.worldbank.org/>. If the Bank revises the transaction fees, the revised transaction fees apply to the Conversions and the early terminations requested after such revision.

12.3. Payment of Conversion Related Fees and Costs

12.3.1. Transaction Fees. The Bank's transaction fees for implementation of a Conversion are paid as follows, unless the Bank and Client agree otherwise:

- (a) in the case of Interest Rate Conversions and Interest Rate Caps and Interest Rate Collars, transaction fees are in the Loan Currency, expressed as (x) a lump sum payable within sixty (60) days after the Execution Date or (y) basis points which accrue from the Conversion Date and added to the interest rate payable on each Interest Payment Date with effect from the Interest Payment Date following such Conversion Date and as determined by the Bank;
- (b) in the case of Currency Conversions of withdrawn amounts, transaction fees are in the Approved Currency, expressed as (x) a lump sum payable within sixty (60) days after the Execution Date or (y) basis points which accrue from the Conversion Date and added to the interest rate in the Approved Currency payable on each Interest Payment Date; and
- (c) in the case of a Currency Conversion of unwithdrawn amounts, transaction fees are in the applicable Loan Currency immediately prior to the Currency Conversion as a lump sum not later than sixty (60) days after the Execution Date.

12.3.2. Costs of Early Termination. Upon any early termination of an existing Conversion (except for the Automatic Rate Fixing and Automatic Conversion to Local Currency) during the life of the Loan, in the absence of refunds, prepayments or acceleration of repayment terms as provided in the applicable General Conditions and Section III.12.3.3 below, the following provisions apply:

- (a) The Bank treats any such early termination as a new Conversion and the Unwinding Amount represents the gains or losses for the prior Conversion (see Section III.3.6.5).
- (b) If the Unwinding Amount is due from the Client to the Bank, the Client pays to the Bank

²¹ Although there are always two aspects to a Currency Conversion (i.e., a change of currency and, of necessity, a change in the interest rate calculation), only one transaction fee is payable for a Currency Conversion.

such Unwinding Amount for the prior Conversion and any other costs of the early termination (i) as part of the new Conversion (i. e., reflected in the terms of the new Conversion) or (ii) upfront as a lump-sum no later than sixty (60) days after the effective date of the early termination. In addition to the Unwinding Amount, other costs include the transaction fees for the early termination of the prior Conversion and transaction fees for the new Conversion. If the Unwinding Amount is due from the Bank to the Client, the Bank pays such amount by first offsetting it against any amounts payable by the Client to the Bank under the relevant Loan or Financing Agreement, as such amounts become due, and paying the remainder of such amount, if any, no later than sixty (60) days after the offset.

- (c) If the Client wishes to effect a Currency Conversion of an amount subject to an Interest Rate Cap or Interest Rate Collar, the Bank does not charge a transaction fee for the early termination of the Interest Rate Cap or Interest Rate Collar provided the Client pays the transaction fees relating to the establishment of the Interest Rate Cap or Interest Rate Collar upfront. However, a transaction fee applies in respect of the Currency Conversion.

12.3.3. Costs of Refunds, Prepayment and Acceleration of Repayment Terms. In the event of refunds, prepayment or acceleration of repayment terms under any Loan, the following provision apply to the payments of related costs:

- (a) In case of a Conversion applicable to any amount of a Loan that is to be refunded, prepaid, or accelerated (as provided in the applicable Loan or Financing Agreement): (i) the Client pays a transaction fee for the early termination of the Conversion; (ii) the Client pays a prepayment premium, if any, pursuant to the General Conditions; and (iii) the Client or the Bank, as the case may be, pays any applicable Unwinding Amount.
- (b) The Client pays the transaction fees, the prepayment premium and any Unwinding Amount not later than sixty (60) days after the effective date of the early termination or the date of the relevant refund, prepayment or payment, as applicable.
- (c) If, upon a refund, prepayment or an acceleration of repayment terms, the aggregate of all transaction fees, Unwinding Amounts and the prepayment premium, if any, represents an amount payable by the Bank to the Client, the Bank offsets such amount from the refund, prepayment or acceleration amount due from the Client and pays the remainder of such amount, if any, no later than sixty (60) days after the offset.

12.4. Premia on Interest Rate Caps and Interest Rate Collars

12.4.1. The Bank determines the premium payable by the Client in connection with an Interest Rate Cap or an Interest Rate Collar in accordance with the provisions of the General Conditions.

12.4.2. In addition, the following provisions apply:

- (a) In order to reduce the premium payable by the Client in respect of an Interest Rate Cap, the Client has a choice to elect an Interest Rate Collar instead of the Interest Rate Cap. Through an Interest Rate Collar, the Client, in addition to establishing an upper limit (a cap) on its Variable Rate or Reference Rate for which it pays a premium, also establishes a lower limit (a floor) on the same Variable Rate or Reference Rate for which it receives a premium. The premium the Client pays is netted against the premium it receives.

- (b) The Client requests the establishment of an Interest Rate Collar by specifying a cap and a floor. The premium payable by the Bank to the Client in respect of the floor does not exceed the premium to be paid by the Client in respect of the cap (thus, the Client does not receive a net premium payment). To achieve the floor premium being equal to the cap premium, the Client specifies to in the Request, thereby establishing an Interest Rate Collar at no premium cost (the “Zero Cost Collar”).

12.5. Payment of Premium for Interest Rate Caps and Collars

12.5.1. Payment of Premium out of the Loan Proceeds. If the Loan or Financing Agreement provides that premia payable in respect of Interest Rate Caps and Interest Rate Collars is financed out of the proceeds of the Loan, up to a specified amount, the Bank deducts any amounts in respect of such premia from the Loan Account on the Execution Date of such Conversion, provided that the unwithdrawn amount available for that purpose is sufficient to cover the cost of the premium in full. If the amount allocated for said purpose only partially covers the amount of the premium payable, the Client pays the balance of the premium out of its own resources not later than sixty (60) days after the Execution Date. Notwithstanding the foregoing, in the case of Interest Rate Caps and Interest Rate Collars on Loans denominated in whole or in part in the Client’s local currency, the Client pays the premium out of its own resources in such currency as determined by the Bank, unless otherwise agreed with the Bank.

12.5.2. Payment of Premium out of Client’s Own Resources. If the Client elects or is required to pay any premium in respect of an Interest Rate Cap or Interest Rate Collar out of its own resources, the Client pays such premium not later than sixty (60) days after the Execution Date for such Conversion. The Client pays the premia in respect of Interest Rate Caps and Interest Rate Collars in the applicable Loan Currency.

12.5.3. Calculation of Premium. The Bank calculates the premium payable by the Client on the portion of the Loan to be converted using the cost the Bank obtains in any purchase of a corresponding cap or collar in the financial markets or based on the Screen Rate(s).

SECTION IV – EXCEPTION

N/A

SECTION V – WAIVER

Issuer can waive a provision of this document.

SECTION VI – OTHER PROVISIONS

If any provision of this Directive is inconsistent with a provision of the relevant Loan or Financing Agreement (and with the relevant General Conditions incorporated by reference) with respect to a particular Conversion, the provision of the relevant Loan or Financing Agreement governs.

SECTION VII – TEMPORARY PROVISIONS

N/A

SECTION VIII – EFFECTIVE DATE

This Directive is effective as of the date on its cover page.

SECTION IX – ISSUER

The Issuer of this Directive is the Vice President and Treasurer.

SECTION X – SPONSOR

The Sponsor of this Directive is the Director, Capital Markets and Investments Department, Treasury.

SECTION XI – RELATED DOCUMENTS

IBRD General Conditions Applicable to Loan and Guarantee Agreements for Fixed-Spread Loans dated September 1, 1999 (as amended);

IBRD General Conditions for Loans dated July 1, 2005 (as amended);

IBRD General Conditions for Loans dated July 31, 2010;

IBRD General Conditions for Loans dated March 12, 2012;

General Conditions for IBRD Financing dated July 18, 2017, for each Investment Project Financing, Program- for-Results and Development Policy Financing, as revised from time to time;

General Conditions for IDA Financing dated July 18, 2017, for each Investment Project Financing, Development Policy Financing and Program-for-Results, as revised from time to time;

General Conditions for IBRD Financing dated December 14, 2018, for each Investment Project Financing, Program-for-Results and Development Policy Financing, as revised from time to time;

General Conditions for IDA Financing dated December 14, 2018, for each Investment Project Financing, Program-for-Results and Development Policy Financing, as revised from time to time;

The Bank Guidance, “Conversion of Financial Terms of IBRD and IDA Loans and Financing Instruments”.

The Board papers:

“Enhancing the Value of IBRD Financial Products: Proposal to Introduce New Loan and Hedging Products”, SecM99-140, March 1, 1999, *Official Use Only*;

“Proposal to Introduce Local Currency Financial Products”, R2000-232, December 19, 2000, *Official Use Only*;

“Proposal to Authorize the Amendment of Variable Spread Loans and Fixed-Single Currency

Loans”, R2007-0130, June 11, 2007, *Official Use Only*;

“Enhancing the Value of IBRD Financial Products: Proposal to Provide Local Currency Conversion Through Back-to-Back Borrowing and On-Lending Arrangements”, R2008-0101, May 12, 2008, *Official Use Only*;

“Proposal to Extend Maturity Limits for New IBRD Loans and Guarantees and to Simplify and Consolidate IBRD Loans into a Unified Single Product Line”, R2008-0007, January 18, 2008, *Official Use Only*;

“Proposal to Offer IBRD Borrowers Additional Flexibility to Convert Loans with a Variable Spread”, R2012-0042, March 1, 2012, *Official Use Only*;

“Implementation of IDA’s Hybrid Financial Model”, IDA/R2017-0077, March 23, 2017, *Official Use Only*;

“Additions to IDA Resources: Twentieth Replenishment, IDA20: Building Back Better from the Crisis: Toward a Green, Resilient and Inclusive Future”, IDA/R2022-0022/1, February 17, 2022, *Official Use Only*;

“Implementing IDA20 Local Currency Financing Proposal”, IDA/R2022-0322, July 6, 2022, *Confidential*.

SECTION XII – REVISION HISTORY

In 2019, the Conversion Guidelines were revised and reformatted in PP&F as this Conversion Directive and IDA non-concessional financing conversions were added. In 2022, LIBOR transition related revisions were reflected in the Directive. This present revision reflects the currency conversion options to IDA concessional financing offerings.

ANNEXES

Annex A – Conversion Request Forms:

[Annex A-1: Currency Conversion of Outstanding Loan Amounts](#)

[Annex A-2: Currency Conversion of Unwithdrawn Amounts](#)

[Annex A-3: Automatic Conversion to Local Currency](#)

[Annex A-4: Interest Rate Conversion](#)

[Annex A-5: Automatic Rate Fixing](#)

[Annex A-6: Interest Rate Cap or Collar](#)

Questions regarding this Directive should be addressed to the Sponsor.

Annex A – Conversion Request Forms:

Annex A-1: Currency Conversion of Outstanding Loan Amounts

Annex A-2: Currency Conversion of Unwithdrawn Amounts

Annex A-3: Automatic Conversion to Local Currency

Annex A-4: Interest Rate Conversion

Annex A-5: Automatic Rate Fixing

Annex A-6: Interest Rate Cap or Collar