

**INTERNATIONAL BANK FOR
RECONSTRUCTION AND DEVELOPMENT**

Guidelines For Using Hedging Products

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1. Introduction

1.1 Purpose

The purpose of the Hedging Guidelines for Using Hedging Products is to set out the procedures for requesting, accepting and executing Swap Transactions (as defined in paragraph 1.4 below) between the International Bank for Reconstruction and Development and a Borrower in connection with a Bank loan made to the Borrower under a loan agreement whose financial terms are transformed by the Swap Transaction and/or in respect of a Borrower's sovereign liability portfolios with other lenders. These Hedging Guidelines are referred to in the Schedule to the Master Derivatives Agreement entered into by the Bank and a Borrower.

1.2 Applicability

These Hedging Guidelines apply to all Swap Transactions requested by a Borrower. The Bank may modify these Hedging Guidelines from time to time. Except as noted in paragraph 6.2 below, any such modifications will apply only to Swap Transactions requested after the date of such modifications and will not affect any Swap Transactions effected, or requested but not yet effected, prior to the date of any such modification. The latest version of these Hedging Guidelines is available on the Bank's website at www.treasury.worldbank.org/fps. Any revisions to these Hedging Guidelines will be published on the Bank's website.

1.3 Definitions

The following terms have the following meanings wherever used in these Hedging Guidelines:

- (a) "Bank" means the International Bank for Reconstruction and Development.
- (b) "Business Day" means any day on which the Bank is open for business in Washington, D.C.
- (c) "Conditional Request" means a Request with certain conditions specified by the Borrower relating to the terms of the Swap Transaction requested.
- (d) "Confirmation" means the documents or other confirming evidence exchanged between the Bank and a Borrower for the purpose of confirming or evidencing a Swap Transaction.
- (e) "CPL" means the Bank's currency pool variable rate loan product.
- (f) "Currency Swap Transaction" means swapping the currency of a Related Loan or other obligation of the Borrower into any currency approved by the Bank
- (g) "Execution Period" means a period of fifteen Business Days from the date of receipt by the Bank of a Request.
- (h) "Effective Date" means, in respect of a Swap Transaction, the date on which the Swap Transaction enters into effect, as further specified in paragraph 2.7 below.
- (i) "Execution Date" means, in respect of a Swap Transaction, the date on which the Bank shall have undertaken all actions necessary to effect said Swap Transaction, as reasonably determined by the Bank.

- (j) “FSCL” means the Bank’s fixed rate single currency loan product.
- (k) “FSL” means the Bank’s fixed spread loan product.
- (l) “Hedging Guidelines” means these Guidelines for Using Hedging Products.
- (m) “IBRD Hedge” means a hedging transaction undertaken between a Borrower and the Bank in connection with a Related Loan.
- (n) “IBRD Loan Portfolio” means the loan or loans made by the Bank to a Borrower and outstanding at any time.
- (o) “IFL” means the Bank’s Flexible Loan product.
- (p) “Interest Rate Cap” means, in respect of an IBRD Hedge, placing a ceiling, on a floating rate of interest¹.
- (q) “Interest Rate Collar” means, in respect of an IBRD Hedge, placing a ceiling and a floor on a floating rate of interest.²
- (r) “Interest Rate Swap Transaction” means swapping the interest rate basis of a Related Loan or other obligation of the Borrower from a floating to a fixed rate or vice versa.
- (s) “Loan Agreement” means a loan agreement between the Bank and a Borrower providing for a loan from the Bank to the Borrower, as such agreement may be amended from time to time.
- (t) “Market Counterparty” means a party with which the Bank enters into a derivatives transaction in the financial markets.
- (u) “Market Transaction” means a currency swap transaction or an interest rate swap transaction entered into by the Bank with a Market Counterparty or an interest rate cap or interest rate collar purchased by the Bank from a Market Counterparty, each in accordance with these Hedging Guidelines as of the Execution Date, to effect a Swap Transaction (as defined below).
- (v) “MDA” means a Master Derivatives Agreement entered into between the Bank and a Borrower in the form of a Master Agreement published by the International Swaps and Derivatives Association (ISDA 1992 or 2002 version, Multicurrency/Cross Border)
- (w) “Non-IBRD Hedge” means a hedging transaction undertaken between a Borrower and the Bank in respect of its sovereign debt liabilities to other lenders.
- (x) “Related Loan” means a Bank loan made to the Borrower under a loan agreement whose financial terms are transformed by a Swap Transaction.
- (y) “Request” means a request for a Swap Transaction substantially in the form specified in Annex A to these Hedging Guidelines.
- (z) “Screen Rate” means a market rate displayed by established information vendors

^{1, 2} For VSLs, only the LIBOR portion of the interest rate may have a ceiling or a floor.

such as Bloomberg and Reuters.

- (aa) “SCP” means the Bank’s single currency pool variable rate loan product
- (bb) “Swap Transaction” means an IBRD Hedge or a Non-IBRD Hedge.
- (cc) “VSL” means the Bank’s variable spread loan product.

1.4 Available Hedging Products

1.4.1 In order to facilitate prudent debt management, the Bank is making available to Borrowers the following hedging products in connection with IBRD Hedges and Non-IBRD Hedges:

- an Interest Rate Swap Transaction
- a Currency Swap Transaction
- for IBRD Hedges only, an Interest Rate Cap and an Interest Rate Collar

1.4.2 IBRD Hedges. Table 1 below shows whether a particular type of Swap Transaction may be entered into with respect to a particular Bank loan product.

Table 1

	IBRD Flexible Loan (IFL) (Fixed or Variable Spread)		Fixed Rate Single Currency Loan (FSCL)	Currency Pool Loan (CPL)**	Single Currency Pool (SCP)**
	Fixed Spread Loan (FSL)	Variable Spread Loan (VSL)			
Interest Rate Swap Transaction	Yes	Yes but only LIBOR not Variable Spread	Yes	No	No
Currency S w a p Transaction	Yes	Yes but only LIBOR not Variable Spread	Yes	Yes but principal only	Yes but principal only
Interest Rate Caps and Collars	Yes	Yes but only LIBOR not Variable Spread	N/A*	No	No

* Interest Rate Caps and Collars are not available for FSCLs as the rate of interest is fixed for the life of the loan. See para. 6.3.3 below.

** For CPLs and SCPs whose applicable rate of interest has been converted to a LIBOR-based floating rate or to a fixed rate, such interest rate may also be hedged.

1.5 Documentation

1.5.1 Master Derivatives Agreement. It is expected that most Swap Transactions will be documented under an MDA. For each Swap Transaction entered into between the Bank and a Borrower, a Confirmation will be executed. In exceptional cases (for example where a single transaction is anticipated), the Bank may consider entering into a transaction that is documented under a stand-alone agreement.

1.5.2 Amendments to Loan Agreements. Before a Swap Transaction can be undertaken under an MDA, an amendment letter will need to be executed amending, to the extent necessary and practicable, all Loan Agreements between the Borrower and the Bank (or between the Bank and a third party and guaranteed by the Borrower) to make provision for cross default between the MDA and the Loan Agreement(s).

2. **Request for a Swap Transaction**

2.1 General

2.1.1 A Borrower may at any time submit a Request for a Swap Transaction to the Bank. The Bank will only consider a request made substantially in the form specified in Annex A to these Hedging Guidelines. In the Request, the Borrower will be asked to make the following representations:

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

2.1.2 Requests will be made in writing and delivered to the Bank by hand, courier, mail (registered or certified), electronic mail or facsimile. Deliveries made by electronic mail or facsimile transmission must also be confirmed by mail. However, the Bank may take action under these Hedging Guidelines on the basis of a Request received by electronic mail or facsimile.

2.2 Hedge Requests

A Borrower may request a Swap Transaction in respect of:

- (a) all or any portion of the principal amount withdrawn and outstanding of a Related Loan. The maturity date for any Swap Transaction in respect of an IBRD Hedge must

fall no later than the final maturity date of the Related Loan;

- (b) all or a portion of its sovereign debt liabilities to third parties in an amount not exceeding the amount of the Borrower's IBRD Loan Portfolio at such time.

2.2.1 Commodity Swap Transactions. These are offered for IBRD Hedges only. The terms and conditions for requesting and executing a commodity swap transaction will be dealt with separately and on a case-by-case basis. The following provisions of these Hedging Guidelines will therefore not apply to a request for a commodity swap transaction and the Borrower and the Bank will agree on the appropriate procedures for commodity swap transactions.

2.2.2 Currency Swap Transactions into Local Currency. If the Borrower requests a Currency Swap Transaction into its domestic currency or a currency other than US Dollars, Euro or Yen (a Local Currency), such Request will be dealt with separately and on a case-by-case basis. The Borrower and the Bank will agree on the appropriate procedures which will be based, to the extent practicable, on these Hedging Guidelines. Borrowers should note that the availability of Currency Swap Transactions into Local Currency depends on the existence of a liquid swap market in the Local Currency and that the aggregate amount of such transactions will be limited to the amount of local expenditures under the IBRD Loan Portfolio.

2.2.3 Minimum amounts. Unless the Bank otherwise agrees:

- (a) *For IBRD Hedges:* the minimum principal amount of a Related Loan in respect of which a Borrower may request a Swap Transaction in a single Request is US\$3,000,000 equivalent or 10% of the total amount of the loan, whichever is higher.
- (b) *For Non-IBRD Hedges:* the minimum principal amount in respect of which a Borrower may request a Swap Transaction in a single Request is US\$3,000,000.

2.2.4 Maximum Amounts. Unless the Bank otherwise agrees, the maximum amount in respect of a Swap Transaction that a Borrower may specify in a single Request is:

- (a) *For both IBRD Hedges and Non-IBRD Hedges:* (i) US\$500,000,000 equivalent for a Currency Swap Transaction with currency pairs in US Dollars, Euro or Yen; (ii) US\$1,000,000,000 equivalent for an Interest Rate Swap Transaction where the currency of denomination is US Dollars, Euro or Yen; and (iii) such other amount as reasonably determined by the Bank.
- (b) *For IBRD Hedges only:* US\$1,000,000,000 equivalent for the establishment of an Interest Rate Cap or Interest Rate Collar in US Dollars, Euro or Yen.

2.3 Communication of Request

Each Request will be furnished to the Bank at the address or facsimile number specified in paragraph 2.5 below and will be deemed received by the Bank:

- (a) on the date it is delivered to the Bank at the address specified in paragraph 2.5 below if sent by courier, by hand, or by certified or registered mail or by electronic mail; and
- (b) on the date received in legible form by the Bank at the facsimile number

specified in paragraph 2.5 below if sent by facsimile.

2.4 Authorized Representative and Address of Borrower for Purposes of Making Requests

The Minister responsible for sovereign debt management is authorized to make Requests on behalf of the Borrower. The authorized representative of the Borrower may by written notice to the Bank, at the address specified in paragraph 2.5 below, authorize additional persons to make Requests. Before or at the time a Request is made, written authorization in respect of any such additional person signing the Request, and the specimen signatures of the Minister and any additional authorized person, must be supplied to the Bank together with his/her/their title(s) and address(es), including telephone and fax number.

2.5 Bank Address to which Request is to be Sent

The Bank's address for receipt of Requests is:

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

Attention: Borrower Services Section (Hedging Requests)
Loan Accounting and Borrower Services Division

Telephone: 1 202 458 8330
Facsimile: 1 202 522 1654
Email: LoanClientServices@worldbank.org

2.6 Content of Request

Each Request will provide the information set forth in Annex A to these Hedging Guidelines - for IBRD Hedge Interest Rate Swap Transactions, see Form 1; for IBRD Hedge Currency Swap Transactions, see Form 2; for IBRD Hedge Interest Rate Caps and Collars for IBRD Hedges, see Form 3; for Non-IBRD Hedge Interest Rate Swap Transactions, see Form 4; and for Non-IBRD Hedge Currency Swap Transactions, see Form 5.

2.7 Effective Date

2.7.1 Subject to paragraph 2.7.2 below, the Effective Date will be the Execution Date or such other date specified by the Borrower in the Hedging Request and accepted by the Bank.

2.7.2 If a Request for a Swap Transaction in respect of an IBRD Hedge is received by the Bank within:

- (a) one calendar month but more than 15 Business Days prior to an interest payment date under the Related Loan, the Effective Date will be such interest payment date; or
- (b) 15 Business Days prior to an interest payment date under the Related Loan, the Effective Date will be the next following interest payment date under such Related Loan or such other date as may be agreed by the Borrower and the Bank.

3. Execution Period

3.1 General

3.1.1 The Bank will exercise reasonable efforts to execute any Request which is in form and substance satisfactory to the Bank within the Execution Period. However, the Bank will not be liable if, in the exercise of such reasonable efforts, it fails to do so. If the Bank has been unable to effect the Swap Transaction requested during the Execution Period, the Bank and the Borrower together will determine what actions, if any, should be taken.

3.1.2 In executing a Swap Transaction, the Bank will exercise the same standard of care as it uses with respect to transactions it enters into for its own account. Since interest and exchange rates may fluctuate throughout the Execution Period, and the range of rates will only be known after the end of the Execution Period, the Bank cannot ensure where the resulting financial terms it obtains in executing the Swap Transaction will fall within this range.

3.1.3 If, during the Execution Period, any national or international calamity or development, crisis of a political or economic nature or change in the financial markets in which a Market Transaction may be executed, has occurred, the effect of which, in the judgment of the Bank, would materially and adversely affect its ability to execute such Market Transaction, the Bank will notify the Borrower of such circumstances, and the Bank and the Borrower together will determine what actions, if any, should be taken with respect to such Market Transaction.

3.2 Acknowledgement of Receipt

The Bank will, within two Business Days after receipt of any Request, notify a Borrower of its receipt of the Request at the address specified by the Borrower pursuant to paragraph 2.4 above or, in the absence of such specification, the address for notices specified in the Master Derivatives Agreement. If the Borrower does not receive such acknowledgement from the Bank within three Business Days of dispatch of the Request, the Borrower should contact the Bank.

3.3 Review of Request

Upon receipt of a Request, the Bank will review it to determine whether the information presented in the Request is accurate and acceptable to the Bank and whether it has been duly authorized by the Borrower.

3.4 Acceptance of Request

If the Bank finds the Request acceptable following the review referred to in paragraph 3.3 above, it will proceed to execute the Swap Transaction without a separate notification to the Borrower of its acceptance.

3.5 Non-Complying Requests; Re-submission

If the Bank determines that a Request does not comply with the requirements specified in these Hedging Guidelines, it will, within the Execution Period, notify the Borrower of its reasons for not accepting the Request. In that case, the Bank will take no further action to execute the Swap Transaction. The Borrower may re-submit its Request taking into account the Bank's comments. Such Request will be treated as a new Request for the purposes of calculating the Execution Period.

3.6 Communications during Execution Period

If any follow-up discussions are necessary during the Execution Period for a Swap Transaction, the Borrower and the Bank (through the Bank's representatives specified in paragraph 2.5 above) may communicate by telephone. So long as no change in the terms of the Request are proposed, the Bank may rely on the identity of anyone communicating with the Bank by telephone and purporting to be an authorized representative of the Borrower. If any changes in the terms of the Request are proposed by telephone, the Bank will treat the Request as a non-complying Request and will so notify the Borrower. The Bank will not take any action in respect of such Request until the Borrower furnishes a modified Request. Such modified Request will be treated as a new Request for purposes of calculating the Execution Period.

3.7 Withdrawal of Request

At any time during the Execution Period, a Borrower may notify the Bank that it seeks to withdraw a Request. The Bank will use reasonable efforts to comply with the Borrower's request for withdrawal however, if the notice of withdrawal is received by the Bank after it has undertaken the related Market Transaction, or applied the Screen Rate(s) (as defined in paragraph 4.1 below), the request for withdrawal will not be accepted.

4. Execution

4.1 Basis upon which Swap Transaction is executed

All Swap Transactions will be effected on the basis of Screen Rates or Market Transactions.

For Interest Rate Swap Transactions, the Bank will generally apply a Screen Rate to effect such Transactions. For Currency Swap Transactions and the application of Interest Rate Caps and Interest Rate Collars for IBRD Hedges, the Bank will generally enter into Market Transactions.

4.2 Market Transactions and Screen Rate

4.2.1 Any Market Transaction undertaken or Screen Rate used by the Bank in effecting a Swap Transaction with respect to an IBRD Hedge will reflect the financial terms for the amount of the Related Loan to be hedged.

4.2.2 Amount of Market Transactions. If the Bank undertakes a Market Transaction, the Bank may effect a transaction in the financial markets in respect of amounts that are smaller or larger than the amount of the Request. The Bank may effect a Market Transaction for a larger amount unless, in the opinion of the Bank, doing so would have a negative effect on the terms to be obtained by the Borrower for such Swap Transaction. In the event the amount of the Market Transaction undertaken does not equal the amount of the Request, the interest and exchange rates or the cap or collar premium obtained under such Market Transactions will be applied to the entire amount comprised in the Request.

4.2.3 Adjustments to Market Transactions. In the case of Interest Rate Swap Transactions with respect to an IBRD Hedge, the Bank will enter into a Market Transaction based on the existing interest rate applicable to the amount of the Related Loan being hedged. However, the Bank may also undertake a Market Transaction based on current market rates then prevailing and mirror such terms in its Swap Transaction with the Borrower. In such a case, the rate of interest payable by the Borrower under the Swap Transaction would be adjusted to reflect the off-marketness of the rate payable by the

Borrower under the Related Loan prior to the Interest Rate Swap Transaction.

4.2.4 One or More Market Transactions. The Bank may effect any Swap Transaction in one or more Market Transactions. In such event, the Bank will determine the consolidated rate or premium to be applied to the total amount comprised in the Request on the basis of the weighted average of the rates or premia obtained in all Market Transactions undertaken to effect such Swap Transaction. The Execution Date will be determined as being the date on which all actions have been taken by the Bank to effect the Swap Transaction of the entire amount.

4.3 Treatment of Loan Interest Waiver under Swap Transaction in respect of an IBRD Hedge. Annually since 1992, the Bank has waived part of the interest charges on certain of its loans, depending on its net income, for the ensuing fiscal year. Given the discretionary nature of this annual interest waiver, it will not be taken into account in determining the cash flows for an IBRD Hedge in respect of a Related Loan that is subject to such waivers.³ This will mean that, in practice, the Borrower will not achieve a perfect hedge to the extent an interest waiver applies to such Related Loan during all or part of the term of the IBRD Hedge.

4.4 Partial Maturity Swap Transactions in respect of IBRD Hedges

While the Bank assumes that in many cases the Borrower will want a Swap Transaction for the full maturity of the amount of the Related Loan, there may be cases when either (i) the Bank is not able to execute a Market Transaction for the full maturity of the Related Loan or (ii) a Borrower would prefer a Swap Transaction for a shorter period (a Partial Maturity).

No Partial Maturity Currency Swap Transactions may be entered into in respect of Currency Pool Loans and Single Currency Pool Loans (save for those CPLs and SCPs whose applicable rate of interest has been converted to a LIBOR-based floating rate or a fixed rate).

Borrowers should note that a Currency Swap Transaction may result in a final principal exchange with a large “balloon” payment at the termination of such Partial Maturity Swap Transaction. If exchange rates have moved in a direction unfavorable to the Borrower during the term of the Swap Transaction, the amount of the balloon payment received by the Borrower upon termination may not be sufficient to re-establish the hedge for the remainder of the maturity of the Related Loan, as the amount necessary to re-establish the hedge will be determined based on exchange rates prevailing at that time. If, however, exchange rates move in the opposite direction, the amount received by the Borrower in the final exchange may exceed the amount necessary to re-establish the hedge.

4.5 Conditional Requests

4.5.1 The Borrower may submit a Conditional Request as follows:

(a) if the Borrower requests an Interest Rate Swap Transaction or a Currency Swap Transaction, it may specify the maximum fixed interest rate or spread over the applicable reference rate that it is willing to pay following such Swap Transaction.

(b) if the Borrower requests a Currency Swap Transaction, it may specify a combination of the maximum interest rate and the exchange rate. If no limit for the interest rate or exchange rate is specified, the Currency Swap Transaction will be effected at the prevailing market interest or exchange rate.

³ Other than Currency Swap Transactions for CPLs and SCPs where: (i) only the principal amount is swapped as described in paragraphs 6.3.4 and 6.3.5 below; or (ii) that are not eligible for interest waivers following a conversion to LIBOR-based floating rates or fixed rates

4.5.2 The minimum amount of a loan which may be hedged under a Conditional Request is US\$3,000,000 equivalent.

4.5.3 Given the volatility of interest and exchange rates, the Bank can give no assurance that it will be able to actually obtain the rate specified in the Conditional Request, even if such a rate were to prevail at any given point during the Execution Period.

4.5.4 If during the Execution Period the Bank is unable to execute the Swap Transaction on the conditional specified in a Request by the Borrower, the Conditional Request will expire, and the Bank will promptly notify the Borrower thereof.

5. Confirmation of Swap Transaction

Under the terms of the MDA, a Confirmation will be sent by the Bank to a Borrower for each Swap Transaction entered into between them within fifteen Business Days of the Execution Date. Where a Screen Rate is used, the Confirmation will specify the source of the applicable rate. A sample Confirmation is attached as Annex B.

6. Billing and Payment Netting during Swap Period for IBRD Hedges

6.1 Payment Netting

The Bank's current billing practice in respect of its loans is to submit a billing statement to the Borrower two months prior to any payment date under a loan. This billing statement will also, subject to exceptions (A) and (B) in paragraphs 6.1.1 and 6.1.2 below, reflect payments to be made by the Borrower and the Bank under any related Swap Transaction. To the extent possible, payments under the Swap Transaction will be netted against payments under the Related Loan as follows:

- (i) **Interest Rate Swap Transactions** - the swap cash flows will first be netted against each other and the net amount will be added to or subtracted from the Loan payment to be made by the Borrower to the Bank.
- (ii) **Currency Swap Transactions** - the swap payment by the Bank to the Borrower will be netted to the extent possible against the Borrower's Loan payment to the Bank in the same currency. The bill will reflect any amount due to the Bank or due to the Borrower following such payment netting as well as the amount payable by the Borrower to the Bank under the Swap Transaction.
- (iii) **Interest Rate Caps and Collars** – (a) **Caps:** any cap payment by the Bank to the Borrower will be netted against the Borrower's Loan payment to the Bank; (b) **Collars:** same procedure as for caps applies except that any payment by the Borrower on the floor of the collar will be added to the Borrower's Loan payment.

Billing statements will also show various miscellaneous amounts due to the imperfect nature of the hedges (due to the application of any loan interest waivers (see paragraph 4.3 above) and due to the specific features of certain Bank loan products (see paragraph 6.3. below). These amounts will be billed in the original loan currency. If multiple Swap Transactions are entered into in respect of an amount under a loan, the Borrower and the Bank will agree on the applicable netting procedures depending on the nature of the Swap Transactions.

6.1.1 Exception (A) : Billing Arrangements for IFLs, FSLs, VSLs and FSCLs in the case of Partial Maturity Currency Swap Transactions. In cases where the final maturity of a Currency Swap Transaction is shorter than the final maturity of the Related Loan, payment netting as described in paragraph 6.1 above will occur until the date of the final principal exchange under the Currency Swap Transaction. The billing statement that includes the final principal exchange amount under the swap will reflect the following:

For the purpose of payment netting, the final exchange payments under the swap that reflect the amount of the Loan not yet matured at the end of the Partial Maturity will be brought to a common currency, the Loan currency. To achieve a common currency, the swap amounts payable by the Borrower to the Bank will be converted by the Bank to the Loan currency using the two-month forward exchange rate between the Loan currency and the currency of the Borrower's swap payment (two months being the period between the date of the bill and the Loan payment date as described in paragraph 6.1 above)⁴. The swap amounts payable by the Borrower and the swap amounts receivable by the Borrower (already denominated in the Loan currency) will then be netted and the resulting net amount will be added to or subtracted from the amount then payable under the Related Loan.

6.1.2 Exception (B) : Billing Arrangements for CPLs and SCPs. There will be no payment netting between Loan payments and swap payments for CPLs and SCPs. Two separate bills will be submitted to the Borrower: Loan payments will be billed following the Bank's standard practice (i.e. a bill is sent out two months prior to the payment date, and adjustments made in the subsequent bill) and billed separately. The bill in respect of the Swap Transaction will show the amount payable to or receivable from the Bank under the swap as calculated in accordance with paragraph 6.3.4 below, will be submitted promptly to the Borrower and will be payable within fifteen calendar days after the payment date under the Swap Transaction.

6.2 Changes to Bank's Billing Practice

If the Bank implements any system-wide modifications to its billing practices, notwithstanding the provisions of paragraph 1.2 above, such modifications will apply to Swap Transactions effected both before and after the date of any such modifications. Borrowers will be informed of any such changes.

6.3 Netting Arrangements by Loan Product

Certain adjustments to the netting arrangements described in paragraph 6.1 above may be necessary to reflect specific features of certain Bank loan products and, where applicable, are set out by loan product below.

6.3.1 Fixed Spread-based IFLs and FSLs. The netting arrangements described in paragraph 6.1 apply to all Swap Transactions.

6.3.2 Variable Spread-based IFLs and VSLs. The interest rate payable under IFLs with a Variable Spread and VSLs (formerly known as Variable Rate Single Currency Loan) is comprised of LIBOR plus a variable spread. For any Swap Transaction, only the LIBOR

⁴ If a Borrower intends to roll over the Swap Transaction to reach the full maturity of the loan, it would need to re-establish the swap through a two month forward swap transaction entered into at the billing date. It is suggested that if the Borrower wants to roll over the Swap Transaction, it should contact the Bank at least three months prior to the swap's final maturity date.

portion of the interest rate can be swapped out or capped or collared, as the variable spread is not a market-based spread. The payment netting arrangements described in paragraph 6.1 will apply to such Swap Transactions. Amounts payable reflecting the variable spread will be shown on each billing statement as net amounts due in respect of the Related Loan and will be payable in the loan currency.

6.3.3 FSCLs. Interest Rate Caps and Collars are not available for FSCLs, as the rate of interest under this product is fixed for the life of the loan.⁵ For Interest Rate Swap transactions and Currency Swap Transactions, the payment netting arrangements described in paragraph 6.1 above apply.

6.3.4 CPLs. Save for CPLs whose applicable rate of interest has been converted to a LIBOR-based floating rate or a fixed rate: (i) the only Swap Transaction that may be undertaken in connection with a CPL is a Currency Swap Transaction, which must be for the full maturity of the Related Loan; and (ii) only the principal amount of a CPL may be swapped under a Currency Swap Transaction as the CPL lending rate is not a market-based rate.

The currency pool comprises primarily three currencies held in a targeted ratio of 1 USD: 1 EUR: 125 JPY. A Borrower can swap one, two or three of the primary CPL component currencies into one single currency, which can be any currency which the Bank can efficiently intermediate. For example, a Borrower may request a Currency Swap Transaction into EUR, swapping both the USD and JPY components of the loan into EUR.

Swap payments will be billed separately from the Loan. In the above example, two Currency Swap Transactions will be executed, one USD to EUR and one JPY to EUR. The bill will show the swap payables and receivables under each swap. The Bank will then convert the USD and JPY payments that it makes to the borrower into EUR using a market exchange rate determined on the Loan payment date under the Related Loan and will determine the net amount due to or from the Borrower. The bill will show such net amount.

6.3.5 SCPs. All provisions for CPLs discussed in the preceding section also apply to SCPs, adjusted for the fact that SCPs consist primarily of one currency.

7. **Billing during Swap Period for Non-IBRD Hedges**

7.1 As Non-IBRD Hedges are not directly related to a Bank loan, the Bank will prepare a separate bill to reflect payments to be made by the Borrower and the Bank under any Swap Transaction in respect of a Non-IBRD Hedge as follows:

- (i) **Interest Rate Swap Transactions** - The payments due from the Bank to the Borrower under the swap will be netted against payments due from the Borrower to the Bank. The billing statement will reflect a net amount due to the Bank or to the Borrower. The Non-IBRD Hedge billing statement will be prepared by the Bank and sent to the Borrower one month prior to the relevant payment date specified for the Swap Transaction and any amount due will be payable by the Borrower or the Bank on such payment date.

⁵ A Borrower may however request an Interest Rate Cap or Collar on an FSCL where the applicable interest rate has already been hedged into a floating rate following an Interest Rate Swap Transaction.

- (iii) **Currency Swap Transactions** – As the cash flows for these transactions are denominated in different currencies, there will be no payment netting. The billing statement will show the amounts payable by the Bank and amounts payable by the Borrower. The billing statements will be prepared by the Bank and sent to the Borrower one month prior to the payment date and any amount due will be payable by the Bank and the Borrower on such payment date.

7.2 Changes to Bank's Billing Practice

If the Bank implements any system-wide modifications to its billing practices, notwithstanding the provisions of paragraph 7.1 above, such modifications will apply to Swap Transactions effected both before and after the date of any such modifications. Borrowers will be informed of any such changes.

8. **Loan Prepayment and Early Termination of Swap Transactions**

8.1 Loan Prepayment

If a Borrower prepays or refunds:

- (i) all or part of a Related Loan, any Swap Transaction or part thereof entered into in respect of such amount will be terminated.
- (ii) all or part of any loan comprised in the IBRD Loan Portfolio that would cause the total amount (principal and notional) of the Borrower's Non-IBRD Hedges to exceed the total principal amount of its IBRD Loan Portfolio by more than USD 1,000,000 (or its equivalent), any Swap Transaction or part thereof entered into between the Bank and the Borrower will, after consultation, be terminated; provided that for the purpose of calculating the amount of Non-IBRD Hedges, Interest Rate Swap Transactions will be counted at 20 percent of the notional principal amount of such Swap Transactions.

8.2 Transaction Fees and Settlement Amounts on Refunds, Prepayment and Acceleration

If, upon a refund, prepayment or acceleration of the Related Loan or a loan comprised in the IBRD Loan Portfolio, the aggregate of all transaction fees (as provided in paragraph 9 below) and Settlement Amounts (as defined under the MDA) related to the Swap Transaction (a) represents an amount payable by the Bank to the Borrower, such amount will be subtracted from the amount to be refunded, prepaid or paid by the Borrower; (b) represents an amount payable by the Borrower to the Bank, such amount will be added to the amount to be refunded, prepaid or paid by the Borrower.

8.3 Early Termination of Interest Rate Caps and Interest Rate Collars for IBRD Hedges

8.3.1 If, as a result of an early termination of an Interest Rate Collar, a Settlement Amount related to the Swap Transaction is payable by a Borrower to the Bank, the Borrower will pay such amount, together with a transaction fee in respect of such early termination, not later than sixty days after the effective date of such early termination.

8.3.2 If, as a result of an early termination of an Interest Rate Cap or an Interest Rate Collar, a Settlement Amount is payable by the Bank to a Borrower, the Bank will pay such amount by deducting it against any amounts payable by the Borrower to the Bank

under the related Loan Agreement as such amounts become due.

8.3.3 If a Borrower wishes to execute a Currency Swap Transaction in respect of an amount subject to an Interest Rate Cap or Interest Rate Collar, no transaction fee will be payable by the Borrower for the early termination of the Interest Rate Cap or Interest Rate Collar. However, a transaction fee would be payable in respect of the Currency Swap Transaction.

9. Transaction Fees

9.1 Transactions in Respect of which a Fee is Payable

The Borrower will pay to the Bank a transaction fee in respect of:

- (i) any Swap Transaction⁶; and
- (ii) the early termination of any Swap Transaction (provided that if the early termination of any Swap Transaction is caused by any reason outside the control of the Borrower, the transaction fee may be waived by the Bank).

9.2 Amount of Fee Payable

The fees charged by the Bank in respect of Swap Transactions (which apply to early terminations of Swap Transactions) are displayed on the Bank's website at www.treasury.worldbank.org/fps. Transaction fees charged by the Bank may be revised from time to time, and the revised fees will apply to Swap Transactions and early terminations of Swap Transactions effected after such revision.

9.3 Currency of Payment of Transaction Fees

9.3.1 Transaction fees may be expressed as either a lump sum or as basis points *per annum*. Transaction fees expressed as a lump sum will be payable not later than 60 calendar days after the Execution Date or the early termination date, as applicable. Transaction Fees expressed as basis points will be added to the interest rate payable either on each Interest Payment Date in respect of IBRD Hedges or such other date as may be determined by the Bank in respect of Non-IBRD Hedges.

9.3.2 Transaction fees will be payable:

- (i) *For IBRD Hedges:* (a) for fees expressed as a lump sum, in the applicable Loan currency for the Related Loan; (b) for fees expressed as basis points, in the currency for payments by the Borrower under the Swap Transaction; and (c) in the case of CPLs, in US Dollars.
- (ii) *For Non-IBRD Hedges:* in the currency for payments by the Borrower under the Swap Transaction.

⁶ Although there are always two aspects to a Currency Swap (i.e., a change of currency and, of necessity, a change in the interest rate calculation), only one fee will be payable for a Currency Swap.

10. Premia on Interest Rate Caps and Interest Rate Collars for IBRD Hedges

10.1 Premium on Interest Rate Caps

The premium payable by a Borrower in connection with the establishment of an Interest Rate Cap will be set out in the Confirmation for such transaction.

10.2 Premium on Interest Rate Collars

10.2.1 In order to reduce the premium payable by a Borrower in respect of establishing an Interest Rate Cap on a floating rate, the Borrower may choose to establish an Interest Rate Collar instead of the Interest Rate Cap. By establishing an Interest Rate Collar, the Borrower, in addition to establishing a cap on its floating rate for which it pays a premium, also establishes a floor on the same rate for which it receives a premium. The premium the Borrower pays is netted against the premium it receives.

10.2.2 A Borrower may request the establishment of an Interest Rate Collar by specifying a cap and a floor. The premium payable by the Bank to the Borrower in respect of the floor may not exceed the premium to be paid by the Borrower in respect of the cap (thus, the Borrower will never receive a net premium payment). If, as a result of interest rate fluctuations during the Execution Period, the premium on the floor were to exceed the premium on the cap, then the Bank may lower the floor to reduce the premium, so that it will not exceed the premium on the cap. The Borrower may also request that the Bank determine the floor so that the premium in respect of such floor will be equal to the premium in respect of the cap, thereby establishing an Interest Rate Collar at no premium cost (a Zero-Cost Collar).

10.3 Payment of Premium

Any premium will be payable not later than 60 calendar days after the Execution Date for such Swap Transaction. Premia in respect of Interest Rate Caps and Interest Rate Collars will be paid in the applicable Loan currency of the Related Loan.

10.4 Calculation of Premium

The premium payable by a Borrower will be calculated on the entire amount of the loan to be hedged using the rate obtained in any purchase by the Bank of a cap or collar in the financial markets under a Market Transaction.

11. Rounding Conventions Used in Swap Transactions

The Bank will round all currency amounts to the nearest applicable whole currency unit (e.g., 1 USD, 1 EUR, 1 JPY). The Bank will round interest rates to two decimal places and exchange rates to four decimal places. In each case, the Bank will round upwards if the number ends in a figure of five or above, and downwards if the number ends in a figure below five.

12. Partial Payments under Related Loans for IBRD Hedges

In the event of receipt by the Bank of a partial payment from a Borrower made in connection with a Swap Transaction and a Related Loan where a combined bill for the loan and the Swap Transaction will be submitted, the Bank will apply such payment first, against interest and other charges due under the Related Loan; second, against any payments due under the Swap

Transaction; and third, against principal due under the Related Loan.⁷

13. Late Payments under Swap Transactions

13.1 Any late payment under a Swap Transaction will be treated in the same way as a late payment under a loan i.e., suspension of disbursements and acceleration of maturity. Borrowers should note that under the MDA, a default rate of 6-month LIBOR plus 1% is payable on late payments under a Swap Transaction. This item will be categorized on billing statements as Interest on Overdue Swap Receivables (IOSR).

13.2 Under the MDA, the Bank has the right to terminate all Swap Transactions in the event of the Borrower's failure to make any payment under a Swap Transaction. The Borrower has two days to remedy such default. As a matter of policy the Bank will not enter into any new free-standing hedges with the Borrower if any Bank loan or Swap Transaction is overdue by 30 calendar days or more. In addition, if a payment default under a Swap Transaction continues unremedied for 180 days and the country's loans from the Bank are placed in non-accrual status, it is the Bank's policy to take a portfolio approach in respect of all Bank Loans made to the Borrower and all Swap Transactions entered into by the Bank and the Borrower.

13.3 If termination of the Swap Transactions results in a net amount payable from the Bank to the Borrower, such amount will be applied against any overdue amounts and future payments as they fall due under the IBRD Loan Portfolio. Such amount will accrue interest as provided in the MDA. If the termination of the Swap Transaction results in an amount payable by the Borrower to the Bank, such amount will be due and payable to the Bank and, while unpaid, will accrue interest at the default rate applicable under the MDA. Interest Rate Caps and Interest Rate Collars will not be terminated unless, in the opinion of the Bank, they were established in connection with a Currency or Interest Rate Swap Transaction which has been terminated.

⁷ Where separate bills are submitted (e.g. for CPLs) amounts will be applied to the bill specified by the Borrower.

ANNEX A

Form of Request

(Please see the following forms)

Form 1 – IBRD Hedge Interest Rate Swap Transaction

Form 2 – IBRD Hedge Currency Swap Transaction

Form 3 – IBRD Hedge Interest Rate Caps and Collars

Form 4 – Non -IBRD Hedge Interest Rate Swap Transaction

Form 5 – Non-IBRD Hedge Currency Swap Transaction

Form 1 – IBRD Hedge Interest Rate Swap Transaction

Request for Hedging Products

Interest Rate Swap for an IBRD Hedge

Borrower's Explanatory Statement for the Hedge Request:

The borrower's hedge selection, as requested, and the reasons for this selection, are as follows:

We represent that:

- (a) we have made our own independent decision to request this hedging transaction;
- (b) we are not relying on any communication or confirmation from IBRD as a recommendation to request such hedging transaction;
- (c) unless expressly agreed with IBRD by separate agreement, IBRD is not acting as a fiduciary for, or an advisor to, us in respect of such hedging transaction;
- (d) we are capable of evaluating and understanding, and understand and accept the terms, conditions and risks of such hedging transaction, and we are also capable of assuming, and assume, the financial risks of such hedging transaction;
- (e) we are undertaking the hedging transaction in order to facilitate prudent debt management as further specified above; and
- (f) our representative signing this Request is authorized to do so.

Information on the Existing Loan to be Hedged:

Loan Number	<input type="text"/>	Master Derivatives Agreement (MDA)	<input type="text"/>
Loan/Project Name	<input type="text"/>	Date	<input type="text"/>
Loan Signing Date	<input type="text"/>	Parties to MDA	<input style="width: 100%; height: 100%;" type="text"/>
Loan Closing Date	<input type="text"/>		
Loan Final Maturity Date	<input type="text"/>		
Next Payment Date	<input type="text"/>		
Loan Currency	<input type="text"/>		

Information on the Requested Hedge:

Loan amount to be hedged:

Choose one:

- Hedge the full outstanding loan balance
- Hedge percent of the outstanding loan balance

- Hedge these particular tranches of the loan:

(All tranches listed below must have identical hedge request terms. Separate request forms must be submitted for other tranches having different financial terms and hedging requirements.)

(tranche numbers)

Choose one:

- Hedge the full outstanding amount of each tranche above
- Hedge percent of the outstanding amount of each sub-loan/tranche above

Effective Date of the Hedge:

Proposed date that the hedge will take effect)
(For assistance in completing this date, please refer to Section 2.7 of the [Guidelines for Using Hedging Products](#))

Final maturity of the hedge:

Choose one:

- Hedge to the final maturity date of the loan or tranches, if market permits
- Hedge only up to and including this date:
final maturity date of hedge (must correspond with a loan payment date)

Rate of Interest to be Paid by the Borrower, Following the Hedging Transaction:

- Choose one:
- Fixed rate of interest
 - Variable rate of interest - Indicate variable interest rate index

Optional: Conditional Requests -- limited to transactions greater than USD 3 million equivalent:
Execute transactions related to this hedge request only if:

- Choose one:
- The fixed interest rate to be paid is less than or equal to %
 - The spread over variable interest rate index to be paid is less than or equal to basis points

Special Instructions:

Rate of Interest to be Received by the Borrower, Following the Hedging Transaction:

- Choose one:
- Fixed rate of interest percent
 - Spread over variable rate of interest (indicate variable interest rate index)
(must be equal to LIBOR whenever hedging a variable spread loan)

Authorizations:

Specimen signatures of the authorized representatives of the Borrower below must be on file at IBRD before processing of this request may begin.

Name of Borrower:

By:

Authorized Representative Name: <input style="width: 250px;" type="text"/>	Telephone: <input style="width: 150px;" type="text"/>
Title: <input style="width: 250px;" type="text"/>	Facsimile: <input style="width: 150px;" type="text"/>
Date: <input style="width: 250px;" type="text"/>	Email: <input style="width: 150px;" type="text"/>

Contact Information for Transaction Confirmation:

Name: <input style="width: 250px;" type="text"/>	Telephone: <input style="width: 150px;" type="text"/>
Title: <input style="width: 250px;" type="text"/>	Facsimile: <input style="width: 150px;" type="text"/>
Address1: <input style="width: 250px;" type="text"/>	Email: <input style="width: 150px;" type="text"/>
Address2: <input style="width: 250px;" type="text"/>	

This completed form and any related correspondence should be addressed to:
Attn: Loan Client Services Section
Loan Client and Financial Services Division International
Bank for Reconstruction and Development 1818 H
Street, N.W.
Washington, D.C. 20433, USA
Telephone: + 1 (202) 458 8330
Facsimile: + 1 (202) 522 1654

Form 2 – IBRD Hedge Currency Swap Transaction

Request for Hedging Products Currency Swap for an IBRD Hedge

Borrower's Explanatory Statement for the Hedge Request:

The borrower's hedge selection, as requested, and the reasons for this selection, are as follows:

We represent that:

- (a) we have made our own independent decision to request this hedging transaction;
- (b) we are not relying on any communication or confirmation from IBRD as a recommendation to request such hedging transaction;
- (c) unless expressly agreed with IBRD by separate agreement, IBRD is not acting as a fiduciary for, or an advisor to, us in respect of such hedging transaction;
- (d) we are capable of evaluating and understanding, and understand and accept the terms, conditions and risks of such hedging transaction, and we are also capable of assuming, and assume, the financial risks of such hedging transaction;
- (e) we are undertaking the hedging transaction in order to facilitate prudent debt management as further specified above; and
- (f) our representative signing this Request is authorized to do so.

Information on the Existing Loan to be Hedged:

Loan Number	<input type="text"/>	Master Derivatives Agreement (MDA)	<input type="text"/>
Loan/Project Name	<input type="text"/>	Date	<input type="text"/>
Loan Signing Date	<input type="text"/>	Parties to MDA	
Loan Closing Date	<input type="text"/>		
Loan Final Maturity Date	<input type="text"/>		
Next Payment Date	<input type="text"/>		
Loan Currency	<input type="text"/>		

Information on the Requested Hedge:

Loan amount to be hedged:

Choose one:

- Hedge the full outstanding loan balance
- Hedge percent of the outstanding loan balance

- Hedge these particular tranches of the loan:

(All tranches listed below must have identical hedge requests. Separate request forms must be submitted for other tranches having different financial terms and conversion requirements.)

(tranche numbers)

Choose one:

- Hedge the full outstanding amount of each tranche above
- Hedge percent of the outstanding amount of each sub-loan/tranche above

Effective Date of the Hedge:

Proposed date that the hedge will take effect
(For assistance in completing this date, please refer to Section 2.7 of the [Guidelines for Using Hedging Products](#))

Final maturity of the hedge:

Choose one:

- Hedge to the final maturity date of the loan or tranches, if market permits
- Hedge only up to and including this date:
final maturity date of hedge (must correspond with a loan payment date)

Currency and Rate of Interest to be Paid by the Borrower Following the Requested Hedge:

Change the currency from _____ to _____

Rate of interest to be paid by the Borrower following the hedge transaction:

Choose one:

- Fixed rate of interest
- Variable rate of interest - Indicate variable interest rate index _____

Optional: *C onditional Requests*

- Execute transactions related to this hedge request only if: *(choose all that apply)*
- The fixed interest rate to be paid is less than or equal to _____ %
- The spread over the variable interest rate index is less than or equal to _____ basis points

Rate of Interest to be Received by the Borrower, Following the Hedging Transaction:

Choose one:

- Fixed rate of interest _____ percent
- Spread over variable rate of interest _____ (indicate variable interest rate index)
(must be equal to LIBOR whenever hedging a variable spread loan)

For CPLs please specify requested terms under "special instructions"

Special Instructions:

Authorizations:

Specimen signatures of the authorized representatives of the Borrower below must be on file at IBRD before processing of this request may begin.

Name of Borrower: _____

By: _____

Authorized Representative

Name: _____
Title: _____
Date: _____

Telephone: _____
Facsimile: _____
Email: _____

Contact Information for Transaction Confirmation:

Name: _____
Title: _____
Address1: _____
Address2: _____

Telephone: _____
Facsimile: _____
Email: _____

This completed form and any related correspondence should be addressed to:

Attn: Loan Client Services Section

Loan Client and Financial Services Division International
Bank for Reconstruction and Development 1818 H
Street, N.W.
Washington, D.C. 20433, USA

Telephone: + 1 (202) 458 8330
Facsimile: + 1 (202) 522 1654

Form 3 – IBRD Hedge Interest Rate Caps and Collars

Request for Hedging Products Interest Rate Cap or Collar for an IBRD Hedge

Borrower's Explanatory Statement for the Hedge Request:

The borrower's hedge selection, as requested, and the reasons for this selection, are as follows:

We represent that:

- (a) we have made our own independent decision to request this hedging transaction;
- (b) we are not relying on any communication or confirmation from IBRD as a recommendation to request such hedging transaction;
- (c) unless expressly agreed with IBRD by separate agreement, IBRD is not acting as a fiduciary for, or an advisor to, us in respect of such hedging transaction;
- (d) we are capable of evaluating and understanding, and understand and accept the terms, conditions and risks of such hedging transaction, and we are also capable of assuming, and assume, the financial risks of such hedging transaction;
- (e) we are undertaking the hedging transaction in order to facilitate prudent debt management as further specified above; and
- (f) our representative signing this Request is authorized to do so.

Information on the Existing Loan to be Hedged:

Loan Number	<input type="text"/>	Master Derivatives Agreement (MDA)	<input type="text"/>
Loan/Project Name	<input type="text"/>	Date	<input type="text"/>
Loan Signing Date	<input type="text"/>	Parties to MDA	<input type="text"/>
Loan Closing Date	<input type="text"/>		
Loan Final Maturity Date	<input type="text"/>		
Next Payment Date	<input type="text"/>		
Loan Currency	<input type="text"/>		

Information on the Requested Hedge:

Loan amount to be hedged:

Choose one:

- Hedge the full outstanding loan balance
- Hedge percent of the outstanding loan balance

- Hedge these particular tranches of the loan:
(All tranches listed below must have identical hedge requests. Separate request forms must be submitted for other tranches having different financial terms and conversion requirements.)

(tranche numbers)

Choose one:

- Hedge the full outstanding amount of each tranche above
- Hedge percent of the outstanding amount of each sub-loan/tranche above

Effective Date of the Hedge:

Proposed date that the hedge will take effect
(For assistance in completing this date, please refer to Section 2.7 of the [Guidelines for Using Hedging Products](#))

Final maturity of the hedge:

Choose one:

- Hedge to the final maturity date of the loan or tranches, if market permits
- Hedge only up to and including this date:
final maturity date of hedge (must correspond with a loan payment date)

Cap or Collar Terms:

For hedging variable spread loans

- Choose one:
- Interest rate cap such that the LIBOR will not exceed _____ %
 - Interest rate collar such that the LIBOR will not exceed _____ %
 - Zero-cost interest rate collar such that the LIBOR will not exceed _____ % and will not decline below the floor rate to be determine

For hedging fixed spread loans

- Choose one:
- Interest rate cap such that the lending rate will not exceed _____ %
 - Interest rate collar such that the lending rate will not exceed _____ %
 - Zero-cost interest rate collar such that the lending rate will not exceed _____ % and will not decline below the floor rate to be determine

Optional: Conditional Requests

Execute transactions related to this hedge request only if:

For cap or collar:

- The premium to be paid on the cap or collar is less than or equal to _____

For zero-cost collar:

- The floor on the zero-cost collar is at a strike rate less than or equal to _____ %.

Special Instructions:

Authorizations:

Specimen signatures of the authorized representatives of the Borrower below must be on file at IBRD before processing of this request may begin.

Name of Borrower: _____

By: _____

Authorized Representative

Name: _____

Telephone: _____

Title: _____

Facsimile: _____

Date: _____

Email: _____

Contact Information for Transaction Confirmation:

Name: _____

Title: _____

Address1: _____

Address2: _____

Telephone: _____

Facsimile: _____

Email: _____

This completed form and any related correspondence should be addressed to:

Attn: Loan Client Services Section

Loan Client and Financial Services Division International
Bank for Reconstruction and Development 1818 H
Street, N.W.
Washington, D.C. 20433, USA

Telephone: + 1 (202) 458 8330
Facsimile: + 1 (202) 522 1654

Form 4 – Non -IBRD Hedge Interest Rate Swap Transaction

Request for Hedging Products Interest Rate Swap for a Non-IBRD Hedge

Borrower's Explanatory Statement for the Hedge Request

The borrower's hedge selection, as requested, and the reasons for this selection, are as follows:

We represent that:

- (a) we have made our own independent decision to request this hedging transaction;
- (b) we are not relying on any communication or confirmation from IBRD as a recommendation to request such hedging transaction;
- (c) unless expressly agreed with IBRD by separate agreement, IBRD is not acting as a fiduciary for, or an advisor to, us in respect of such hedging transaction;
- (d) we are capable of evaluating and understanding, and understand and accept the terms, conditions and risks of such hedging transaction, and we are also capable of assuming, and assume, the financial risks of such hedging transaction;
- (e) we are undertaking the hedging transaction in order to facilitate prudent debt management as further specified above; and
- (f) our representative signing this Request is authorized to do so.

Hedge Transaction Details

Currency:	<input style="width: 100%;" type="text"/>		
Principal Amount:	<input style="width: 100%;" type="text"/>		
Effective Date (as applicable):	<input style="width: 100%;" type="text"/>		
Maturity:	<input style="width: 100%;" type="text"/>		
Frequency of Interest Payments:	<input style="width: 100%;" type="text"/>		
Fixed Leg:	<input style="width: 50%;" type="text"/>	Interest Payment Date(s):	<input style="width: 50%;" type="text"/>
Floating Leg:	<input style="width: 50%;" type="text"/>	Interest Payment Date(s):	<input style="width: 50%;" type="text"/>
Calendar for Payments: (e.g., NY, Tokyo)	<input style="width: 25%;" type="text"/>	<input style="width: 25%;" type="text"/>	<input style="width: 25%;" type="text"/>
Calendar for Resets:	<input style="width: 25%;" type="text"/>	<input style="width: 25%;" type="text"/>	<input style="width: 25%;" type="text"/>

Interest Rate

To be paid by the Borrower to the IBRD	To be paid by the IBRD to the Borrower		
Variable Rate <input type="radio"/>	Fixed Rate <input type="radio"/>	Variable Rate <input type="radio"/>	Fixed Rate <input type="radio"/>
Day-count: Actual/360 <input type="radio"/> 30/360 <input type="radio"/> Actual/Actual <input type="radio"/>	Day-count: Actual/360 <input type="radio"/> 30/360 <input type="radio"/> Actual/Actual <input type="radio"/>	Day-count: Actual/360 <input type="radio"/> 30/360 <input type="radio"/> Actual/Actual <input type="radio"/>	Day-count: Actual/360 <input type="radio"/> 30/360 <input type="radio"/> Actual/Actual <input type="radio"/>
<input type="radio"/> Other	<input type="radio"/> Other	<input type="radio"/> Other	<input type="radio"/> Other
Payment Convention: Modified Following <input type="radio"/>	Following <input type="radio"/>	Payment Convention: Modified Following <input type="radio"/>	Following <input type="radio"/>
<input type="radio"/> Other	<input type="radio"/> Other	<input type="radio"/> Other	<input type="radio"/> Other
Interest Adjustment: Adjusted <input type="radio"/>	Unadjusted <input type="radio"/>	Interest Adjustment: Adjusted <input type="radio"/>	Unadjusted <input type="radio"/>
Variable Interest Rate Index (if applicable): <input style="width: 50%;" type="text"/>	Variable Interest Rate Index (if applicable): <input style="width: 50%;" type="text"/>	Variable Interest Rate Index (if applicable): <input style="width: 50%;" type="text"/>	Variable Interest Rate Index (if applicable): <input style="width: 50%;" type="text"/>
Optional (complete only 1 of the 4 choices). Note: If this section is left blank, the variable rate will be Libor flat.			
Spread over variable rate index should be equal to: <input style="width: 50%;" type="text"/> %	Spread over variable rate index should be equal to: <input style="width: 50%;" type="text"/> %	Spread over variable rate index should be equal to: <input style="width: 50%;" type="text"/> %	Spread over variable rate index should be equal to: <input style="width: 50%;" type="text"/> %
Fixed rate should be equal to: <input style="width: 50%;" type="text"/> %	Fixed rate should be equal to: <input style="width: 50%;" type="text"/> %	Fixed rate should be equal to: <input style="width: 50%;" type="text"/> %	Fixed rate should be equal to: <input style="width: 50%;" type="text"/> %

**For Swaps with Amortizing Principal Repayment Schedules Only:
Maturity Schedule (or attach a separate sheet)**

Date	Principal Amount Outstanding
_____	_____
_____	_____
_____	_____
_____	_____
_____	_____
_____	_____

**Special Requests / Instructions (use this space for non-standard requests)
(In addition, please contact the IBRD regarding any non-standard requests)**

Payment Instructions

Name of Beneficiary Bank:

Address:

Account Number:

Swift Code:

Name of Beneficiary Entity:

Address:

(in case payment currency corresponds to a country different from the beneficiary country)

Name of Correspondent Bank:

Address:

Account Number:

Swift Code:

Special Instructions:

Authorizations:

Specimen signatures of the authorized representatives of the Borrower below must be on file at IBRD before processing of this request may begin.

Name of Borrower: _____

By: _____

Authorized Representative

Name: _____

Telephone: _____

Title: _____

Facsimile: _____

Date: _____

Email: _____

Contact Information for Transaction Confirmation:

Name: _____

Title: _____

Telephone: _____

Address1: _____

Facsimile: _____

Address2: _____

Email: _____

This completed form and any related correspondence should be addressed to:

Attn: Loan Client Services Section

Loan Client and Financial Services Division International
Bank for Reconstruction and Development 1818 H
Street, N.W.
Washington, D.C. 20433, USA

Telephone: + 1 (202) 458 8330
Facsimile: + 1 (202) 522 1654

Form 5 – Non-IBRD Hedge Currency Swap Transaction

Request for Hedging Products Currency Swap for a Non-IBRD Hedge

Borrower's Explanatory Statement for the Hedge Request

The borrower's hedge selection, as requested, and the reasons for this selection, are as follows:

We represent that:

- (a) we have made our own independent decision to request this hedging transaction;
- (b) we are not relying on any communication or confirmation from IBRD as a recommendation to request such hedging transaction;
- (c) unless expressly agreed with IBRD by separate agreement, IBRD is not acting as a fiduciary for, or an advisor to, us in respect of such hedging transaction;
- (d) we are capable of evaluating and understanding, and understand and accept the terms, conditions and risks of such hedging transaction, and we are also capable of assuming, and assume, the financial risks of such hedging transaction;
- (e) we are undertaking the hedging transaction in order to facilitate prudent debt management as further specified above; and
- (f) our representative signing this Request is authorized to do so.

Hedge Transaction Details

Effective Date (as applicable):

Maturity Date:

Calendar for Payments:

(e.g., NY, Tokyo)

Calendar for Resets (if applicable):

To be paid by the Borrower to the IBRD

To be paid by the IBRD to the Borrower

Initial Exchange

Yes No

Currency:

Principal Amount:

Complete only one amount

Currency:

Principal Amount:

Interest Rate

Variable Rate

Fixed Rate

Day-count: Actual/360

30/360

Actual/Actual

Other

Variable Rate

Fixed Rate

Day-count: Actual/360

30/360

Actual/Actual

Other

Frequency of Interest Payments

Interest Payment Date(s):

Frequency of Interest Payments

Interest Payment Date(s):

Payment Convention:

Modified Following

Following

Other

Payment Convention:

Modified Following

Following

Other

Interest Adjustment:

Adjusted

Unadjusted

Interest Adjustment:

Adjusted

Unadjusted

Variable Interest Rate Index (if applicable):

Variable Interest Rate Index (if applicable):

Optional (complete only 1 of the 4 choices). Note: If this section is left blank, the variable rate will be Libor flat.

Spread over variable rate should be equal %

Spread over variable rate should be equal to: %

Fixed rate should be equal to: %

Fixed rate should be equal to: %

Maturity Schedule (or attach separate sheet if needed)

Complete only one column for notional principal amount

Currency:

Date: _____ Notional Principal Amount: _____

_____	_____
_____	_____
_____	_____
_____	_____
_____	_____

Currency:

Date: _____ Notional Principal Amount: _____

_____	_____
_____	_____
_____	_____
_____	_____
_____	_____

Special Requests / Instructions (use this space for non-standard requests)

(In addition, please contact the IBRD regarding any non-standard requests)

Payment Instructions

Name of Beneficiary Bank:

Address:

Account Number:

Swift Code:

Name of Beneficiary Entity:

Address:

(in case payment currency corresponds to a country different from the beneficiary country):

Name of Correspondent Bank:

Address:

Account Number:

Swift Code:

Special Instructions:

Authorizations:

Specimen signatures of the authorized representatives of the Borrower below must be on file at IBRD before processing of this request may begin.

Name of Borrower: _____

By: _____

Authorized Representative

Name: _____

Telephone: _____

Title: _____

Facsimile: _____

Date: _____

Email: _____

Contact Information for Transaction Confirmation:

Name: _____

Title: _____

Telephone: _____

Address1: _____

Facsimile: _____

Address2: _____

Email: _____

This completed form and any related correspondence should be addressed to:

Attn: Loan Client Services Section

Loan Client and Financial Services Division International
Bank for Reconstruction and Development 1818 H
Street, N.W.
Washington, D.C. 20433, USA

Telephone: + 1 (202) 458 8330
Facsimile: + 1 (202) 522 1654

ANNEX B

Form of Confirmation

Heading

[Letterhead of Party A]

[Date]

[Name and Address of Party B]

Dear :

Currency Swap Transaction
IBRD Ref. No. _____ ; [Party B] Ref. No. _____

The purpose of this [facsimile/letter] (this "Confirmation") is to confirm the terms and conditions of the Swap Transaction entered into between us on the Trade Date specified below.

The definitions and provisions contained in the 2006 ISDA Definitions, as published by the International Swaps and Derivatives Association, Inc., are incorporated into this Confirmation.¹ In the event of any inconsistency between those definitions and provisions and this Confirmation, this Confirmation will govern.

This Confirmation constitutes a "Confirmation" as referred to in, and supplements, forms part of and is subject to, the ISDA Master Agreement dated as of [date], as amended and supplemented from time to time (the "Agreement"), between [Name of Party A] ("Party A") and [Name of Party B] ("Party B"). All provisions contained in the Agreement govern this Confirmation except as expressly modified below.²

[INSERT RELEVANT ADDITIONAL PROVISIONS FROM EXHIBITS II-A THROUGH II-G TO THE 2006 ISDA DEFINITIONS]

¹ By using this language, the parties will incorporate the 2006 ISDA Definitions as amended through the date on which they enter into the relevant transaction. If the parties want to exclude one or more amendments or supplements published by ISDA, parties should identify here the particular amendment(s) or supplement(s) they want to exclude or specify that the Confirmation incorporates the 2006 Definitions "as amended and supplemented through [DATE]."

² If the parties have not yet executed, but intend to execute, an ISDA Master Agreement, include, instead of this paragraph, the following : "This Confirmation evidences a complete and binding agreement between you and us as to the terms of the Swap Transaction to which this Confirmation relates. In addition, you and we agree to use all reasonable efforts promptly to negotiate, execute and deliver an agreement in the form of the ISDA Master Agreement (Multicurrency-Cross Border) (the "ISDA Form"), with such modifications as you and we will in good faith agree. Upon the execution by you and us of such an agreement, this Confirmation will supplement, form a part of and be subject to that agreement. All provisions contained in or incorporated by reference in that agreement upon its execution will govern this Confirmation except as expressly modified below. Until we execute and deliver that agreement, this Confirmation, together with all other documents referring to the ISDA Form (each a "Confirmation") confirming transactions (each a "Transaction") entered into between us (notwithstanding anything to the contrary in a Confirmation), shall supplement, form a part of, and be subject to, an agreement in the form of the ISDA Form as if we had executed an agreement in such form (but without any Schedule except for the election of [English law] [the laws of the State of New York] as the governing law and [specify currency] as the Termination Currency) on the Trade Date of the first such Transaction between us. In the event of any inconsistency between the provisions of that agreement and this Confirmation, this Confirmation will prevail for purposes of this Swap Transaction."

Account Details:

Account(s) for payments to
Party A: []

Account(s) for payments to
Party B: []

[] agrees to provide the following Credit Support Document [or agrees to provide the following in accordance with [specify Credit Support Document]]:

[Offices :

(a) The Office of Party A for the Swap Transaction is ; and

(b) The Office of Party B for the Swap Transaction is .]

[Broker/Arranger:]

Closing

Please confirm that the foregoing correctly sets forth the terms of our agreement by executing the copy of this Confirmation enclosed for that purpose and returning it to us or by sending to its a letter substantially similar to this letter, which letter sets forth the material terms of the Swap Transaction to which this Confirmation relates and indicates your agreement to those terms .

Yours sincerely,

[PARTY A]

By: _____

Name:

Title:

Confirmed as of the
date first above written:

[PARTY B]

By: _____

Name:

Title:

**Additional Provisions for a
Confirmation of a Swap Transaction that is a
Rate Swap Transaction or Cross-Currency Rate Swap Transaction**

[See Exhibit I for the introduction, standard paragraphs and closing for the Confirmation.]

1. The terms of the particular Swap Transaction to which this Confirmation relates are as follows:

[Notional Amount:] []

Trade Date: []

Effective Date: []

Termination Date: [] [, subject to adjustment in accordance with the [Following/Modified] [Following/Preceding] Business Day Business Day Convention]³

Fixed Amounts:

Fixed Rate Payer: [Party A,B]

[Fixed Rate Payer Currency Amount:] []

Fixed Rate Payer Payment Dates [or Period End Dates, if Delayed Payment or Early Payment applies]: [] [, subject to adjustment in accordance with the [Following/Modified] [Following/Preceding] Business Day Convention]⁴

Fixed Amount [or Fixed Rate and Fixed Rate Day Count Fraction]: []

Floating Amounts

Floating Rate Payer: [Party B/A]

[Floating Rate Payer Currency []]

³ If the parties want to provide that the Termination Date will be adjusted in accordance with a Business Day Convention (and, accordingly, that the final Calculation Period will be shortened or lengthened), the appropriate Business Day Convention must be specified.

⁴ Bracketed language is not necessary if Payment Dates and Period End Dates are to be adjusted in accordance with the Modified Following Business Day Convention, as provided in the 2006 ISDA Definitions.

Amount:]

Floating Rate Payer Payment Dates [] [, subject to adjustment in accordance with the [Following/Modified Following/Preceding] Business Day Convention]⁴
[or Period End Dates, if Delayed Payment or Early Payment applies]:

[Floating Rate for initial Calculation Period:] []

Floating Rate Option: []

Designated Maturity: []

Spread: [Plus/Minus %] [None]

Floating Rate Day Count Fraction: []

Reset Dates: [] [, subject to adjustment in accordance with the [Following/Modified Following/Preceding] Business Day Convention]⁵

[Rate Cut-off Dates:] []

[Method of Averaging:] [Unweighted/Weighted Average]

Compounding: [Applicable/Inapplicable]

[Compounding Dates:] []

[Discounting :

Discount Rate: []

Discount Rate Day Count Fraction:] []

⁵ Bracketed language is not necessary if Reset Dates are to be adjusted in accordance with the Business Day Convention applicable to Payment Dates.

[Initial Exchange:

Initial Exchange Date: [] [, subject to adjustment in accordance with the [Following/Modified Following/Preceding] Business Day Convention]⁶

Party A Initial Exchange Amount: []

Party B Initial Exchange Amount:] []

[Interim Exchange:

Interim Exchange Date: [] [, subject to adjustment in accordance with the [Following/Modified Following/Preceding] Business Day Convention]⁶

Party A Interim Exchange Amount: []

Party B Interim Exchange Amount:] []

[Final Exchange:

Final Exchange Date: [] [, subject to adjustment in accordance with the [Following/Modified Following/Preceding] Business Day Convention]⁶

Party A Final Exchange Amount: []

Party B Final Exchange Amount:] []

[Business Days for [first currency] :] []

[Business Days for [second currency] :] []

[Business Day Convention: [Following/Modified Following/Preceding]]⁷

Calculation Agent: []⁸

⁶ Bracketed language is not necessary if this date is to be adjusted in accordance with the Modified Following Business Day Convention, as provided in the 2006 ISDA Definitions.

⁷ If a Business Day Convention is to apply to all dates that are stated in the 2006 ISDA Definitions to be adjusted in accordance with the applicable Business Day Convention, that Business Day Convention can be specified here .

⁸ If the Calculation Agent is a third party, the parties may wish to consider any documentation necessary to confirm its undertaking to act in that capacity .

**Additional Provisions for a
Confirmation of a Swap Transaction that is a Rate Cap Transaction,
Rate Floor Transaction or Rate Collar Transaction**

[See Exhibit I for the introduction, standard paragraphs and closing for the Confirmation.]

1. The terms of the particular Swap Transaction to which this Confirmation relates are as follows:

Notional Amount : []
Trade Date: []
Effective Date: []
Termination Date : [] [, subject to adjustment in accordance with the [Following/Modified Following/Preceding] Business Day Convention]⁹

Fixed Amounts:¹⁰

Fixed Rate Payer: [Party A/B]
Fixed Rate Payer Payment Date(s): [] [, subject to adjustment in accordance with the [Following/Modified Following/Preceding] Business Day Convention]¹¹
Fixed Amount: []

Floating Amounts :

Floating Rate Payer: [Party B/A]
[[Cap/Floor] Rate:] [] %

⁹ If the parties want to provide that the Termination Date will be adjusted in accordance with a Business Day Convention (and, accordingly, that the final Calculation Period will be shortened or lengthened), the appropriate Business Day Convention must be specified.

¹⁰ For a rate collar transaction there would be no Fixed Amounts or Fixed Rate Payer. Instead, one party would pay a Floating Amount based on a cap rate and the other party would pay a Floating Amount based on a floor rate. Separate Floating Amount provisions would need to be included for each party.

¹¹ Bracketed language is not necessary if Payment Dates and Period End Dates are to be adjusted in accordance with the Modified Following Business Day Convention, as provided in the 2006 ISDA Definitions.

Floating Rate Payer Payment Dates [or Period End Dates, if Delayed Payment or Early Payment applies]:	[] [, subject to adjustment in accordance with the [Following/Modified Following/Preceding] Business Day Convention] ¹¹
[Floating Rate for initial Calculation Period]	[]
Floating Rate Option:	[]
Designated Maturity:	[]
Floating Rate Day Count Fraction :	[]
Reset Dates :	[] [, subject to adjustment in accordance with the [Following/Modified Following/Preceding] Business Day Convention] ¹²
[Rate Cut-off Dates:]	[]
[Method of Averaging:]	[Unweighted/Weighted Average]
Compounding:	[Applicable/Inapplicable]
[Compounding Dates:]	[]
[Discounting :	
Discount Rate:	[]
Discount Rate Day Count Fraction:]	[]
[Business Days for [first currency]:]	[]
[Business Days for [second currency]:] []	[]
[Business Day Convention:	[Following/Modified Following/Preceding]] ¹³
Calculation Agent:	[] ¹⁴

¹² Bracketed language is not necessary if Reset Dates are to be adjusted in accordance with the Business Day Convention applicable to Payment Dates.

¹³ If a Business Day Convention is to apply to all dates that are stated in the 2006 ISDA Definitions to be adjusted in accordance with the applicable Business Day Convention, that Business Day Convention can be specified here.

¹⁴ If the Calculation Agent is a third party, the parties may wish to consider any documentation necessary to confirm its undertaking to act in that capacity .