

Dec 21, 2015

Memorandum of the euro area Constituency at the AIIB

Preamble

This Memorandum represents an understanding among the Governors to the Asian Infrastructure Investment Bank of Austria, Finland, France, Germany, Italy, Luxemburg, Malta, the Netherlands, Portugal and Spain.

We emphasize the importance of good cooperation between our authorities and the representatives of the Constituency. We are committed to an open exchange of information and effective consultation mechanisms among all members.

Member countries strive to make contributions of high quality to the work of the AIIB and in particular to the Constituency's work to make the voice of the Constituency clearly heard in the Board.

We expect that the representatives of our Constituency and the staff at national capitals safeguard the interests of the Constituency and of its members to the best of their ability. As the Board is non-resident and reunites only four times a year, Constituency representatives strive to create maximum visibility and influence at the AIIB also in times between Board sessions through intensive contacts.

We seek to ensure close cooperation with the second European Constituency and other like-minded constituencies of the AIIB to maximize the impact and influence in the Board.

Co-ordination

The Constituency strives to align positions in the AIIB Board. To maximize the impact and influence in the Board, it is important that the exchange of information and the co-ordination is effective within the Constituency.

- So as to allow for maximum impact within the AIIB, the Constituency's representatives will ensure intensive direct contact with staff and management of the AIIB.
- All countries will appoint a constituency representative with a negotiating mandate as the contact point in capitals. They will be responsible for the further sharing of information within their country.
- It is the responsibility of the country holding the Executive Director post to set up adequate logistics and ensure efficient constituency coordination, including, when needed, through adequate facilities in Beijing or in the Executive Director's capital.
- Costs related to secretarial functions, communication and meeting facilities, which are linked to the Executive Director's functions, are to be paid for by the Executive Director's home country. All other costs, including travelling and hospitality allowance, remain with individual countries, notwithstanding possible reimbursement by the AIIB.
- Regular teleconferences/meetings of the Constituency will be held prior to meetings of the Board of Governors and the Board of Directors and its subcommittees. Exceptional meetings can be held upon the request of the Executive Director or of a member.
- Constituency coordination will be conducted by the Executive Director, in consultation with

the Alternate Directors. He/she will also ensure effective cooperation and timely information-sharing with the EFC Secretariat.

- Coordination on operational matters and projects will be done from country capitals and within the Constituency. It will be led by the country holding the Executive Director post.
- Coordination on major strategic matters should take place in the Constituency and in Brussels via the EFC/SCIMF in the appropriate format.
- Whenever feasible and to ensure maximum impact and influence of EU Member States in the Board, close cooperation with the second European Constituency in the AIIB should be sought. Common positions could be agreed on selected strategic topics based on the Executive Board work program.
- The Constituency members may be supported by their respective countries' embassies in Beijing.
- The Executive and Alternate Directors will report on all Board meetings and all subcommittee meetings of the Board, all relevant informal briefings, deliberations and developments to all Constituency members. Reporting from Board meetings will be made in the form of written reports. If needed or requested by any member, informal debriefs via teleconference can complement the written reporting.

For the Constituency, it is important that agreed positions are reached and communicated effectively to the AIIB Board. The Constituency should strive to adopt all decisions on a consensus basis. When consensus cannot be achieved, a split vote may be cast consistent with the AIIB's AoA.

Representation of the Constituency and selection of representatives

Given that the Constituency consists of a large number of countries, it will have one Executive Director and two Alternate Directors. The Alternate Directors are also members of the Board. In addition, and so as to ensure a broad personal representation of members, three Advisers will have the possibility to take part in the Executive Board Meetings. Making use of Advisers' positions will ensure transparency for all Constituency members. A country cannot hold more than one position in the Constituency, either the position of the Executive Director, the position of one of the Alternate Directors or the position of the Advisor.

Representation of members in the Constituency is based on their relative capital/voting shares. The attached rotation scheme, agreed in the Eurogroup meeting of 23 November 2015, determines the distribution of Executive Directors', Alternate Directors' and Advisers' tenures for twelve years. The scheme ensures Member States' presence in the board long enough to maintain institutional knowledge and maximize influence. The rotation scheme for Executive Directors and their Alternates, as agreed in this Memorandum, will be reviewed after six years respecting the voting rights of the existing members of the Constituency and the rights of countries entitled to ED and AED positions, which have not held them before the revision.

Euro area Member States indicated in the attached table as 'OTH' (Austria, Finland, Luxemburg, Malta and Portugal) will agree how to nominate the Executive and Alternate Directors and Advisor among themselves.

Executive and Alternate Directors will be elected for a term of up to two years.

When nominating candidates for the post of the Executive or Alternate Directors, countries will pay due regard to the ability and experience of candidates. In order to ensure that nominations are merit-

based, proposals are submitted to a silence procedure, ensuring that the Constituency's representatives have the full support of all members. Countries whose turn it is to hold the positions of Director or Alternate Directors according to the rotation scheme propose a candidate for the respective office. A two-week period then allows Constituency members to assess the quality of the proposed nominee. An informal consultation prior to a formal nomination of the Directors should be seen as best practice.

In the case of Directors, if no objection is formulated before the deadline of the procedure, the nomination is considered approved and Constituency members' Governors commit to cast their votes on the proposed candidate. Similarly, the Executive Director commits to appoint proposed Alternate Directors once they are approved through the silence procedure.

Any country can break the silence procedure to formulate an objection to the nomination of a candidate, which has to be justified on reasoned grounds. If the country whose turn it is to hold the respective position does not satisfactorily answer the objection, it withdraws its candidate and presents a new one for the approval of the Constituency, by silence procedure.

Advisors will be nominated by the country responsible, following the attached rotation scheme, and will be appointed by the Director, in consultation with the Alternate Directors. The Advisors will be appointed for a term of up to two years.

Responsibilities of the Executive Director

The Director, in close consultation with the Alternate Directors, and the advisors, is responsible for the positions taken in the Board and for representing the members of the Constituency in the AIIB.

Positions in the Board are taken in accordance with the mandate of the AIIB and will aim at advancing the interests of the members of the Constituency. Positions will reflect as much as possible the consensus within the Constituency, taking into account, if relevant, common positions formulated in the EFC/SCIMF in the appropriate format.

Accession of New Members - Exit from Constituency

Membership to the Constituency is in principle open to euro area Member States. The Constituency endeavors to maintain and, if possible, enhance its strength. To this end, members are open to further euro area Member States joining the constituency. The arrangements for the inclusion of new members need to be agreed by existing members.

Members are also free to leave the Constituency. To this end, a declaration of withdrawal will be issued and the attached rotation scheme will be reviewed as appropriate.