Administration Agreement between the Takasbank Istanbul Settlement and Custody Bank Inc. and the International Bank for Reconstruction and Development and the International Development Association concerning the Global Islamic Finance Development Multi-Donor Trust Fund (TF No. 072107)

1. The International Bank for Reconstruction and Development and the International Development Association (collectively, the "Bank") acknowledge that the Takasbank Istanbul Settlement and Custody Bank Inc. (the "Donor", and together with the Bank, the "Parties" and each a "Party") agrees to provide the sum of four hundred and fifty thousand United States Dollars (US$ 450,000) (the "Contribution") for the Global Islamic Finance Development Multi-Donor Trust Fund (TF No. 072107) (the "Trust Fund") in accordance with the terms of this Administration Agreement. Other donors are also expected to contribute to the Trust Fund on the terms and conditions specified in the Annexes to this Administration Agreement.

2. The Contribution shall be used to finance the activities set forth in the “Global Islamic Finance Development Multi-Donor Trust Fund Description” attached hereto as Annex 1, and shall be administered by the Bank on behalf of the Donor in accordance with the terms of this Administration Agreement, including the “Standard Provisions” attached hereto as Annex 2.

3. The Donor shall deposit the Contribution in accordance with the following schedule and in the currency specified in Section 1 above (“Contribution Currency”) into such bank account designated by the Bank (each amount deposited hereinafter referred to as an “Installment”) upon submission of a payment request by the Bank:

   (A) By November 30, 2013, ninety thousand United States dollars (US$ 90,000).
   (B) By June 30, 2014, ninety thousand United States dollars (US$ 90,000).
   (C) By June 30, 2015, ninety thousand United States dollars (US$ 90,000).
   (D) By June 30, 2016, one hundred eighty thousand United States dollars (US$ 180,000).

4. When making any deposit, the Donor shall instruct its bank to include in its deposit details information (remittance advice) field of its SWIFT deposit message, information indicating: the amount deposited, that the deposit is made by the Donor for TF No.072107 (the “Global Islamic Finance Development Multi-Donor Trust Fund”), and the date of the deposit (the “Deposit Instructions”). In addition, the Donor shall provide a copy of the Deposit Instructions to the Bank’s Accounting Trust Funds Division by e-mail sent to tfremitadvice@worldbank.org or by fax sent to +1 (202) 614-1315.

5. Except with respect to the Deposit Instructions, any notice, request or other communication to be given or made under this Administration Agreement shall be in writing and delivered by mail, fax or e-mail to the respective Party’s address specified below or at such other address as such Party notifies in writing to the other Party from time to time:

   For the Bank (the “Bank Contact”):

   Abayomi A. Alawode
   Practice Manager
   Financial Systems Global Practice
   The World Bank
   1818 H Street, NW, Washington, D.C. 20433, USA
   Tel: 1 202 473 4067
   Fax: 1 202 522 3199
   E-mail: aalawode@worldbank.org
For the Donor (the “Donor Contact”):

Cengiz Özübek
Executive Vice President
Takasbank Istanbul Settlement and Custody Bank Inc.
Şişli Merkez mah. Merkez cad. No:6 34381 Şişli-Istanbul, Turkey

Tel: 90 212 315 22 56
Fax: 90 212 315 25 45
E-mail: cozubek@takasbank.com.tr

6. In the event any amounts are to be returned to the Donor under this Administration Agreement, the Bank shall transfer such amounts to the Donor, unless otherwise agreed with the Bank.

7. All annexes hereto constitute an integral part of this Administration Agreement, whose terms taken together shall constitute the entire agreement and understanding between the Donor and the Bank. Unless otherwise specified in an annex hereto, this Administration Agreement may be amended only by written amendment between the Bank and the Donor, provided, however, that any annexes to this Administration Agreement may be amended only by written amendment of all donors contributing to the Trust Fund.

8. Each of the Parties represents, by confirming its agreement below, that it is authorized to enter into this Administration Agreement and act in accordance with these terms and conditions. The Parties are requested to sign and date this Administration Agreement, and upon possession by the Bank of this fully signed Administration Agreement, this Administration Agreement shall become effective as of the date of the last signature.

INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT
INTERNATIONAL DEVELOPMENT ASSOCIATION

By: T. Tunc Uyanik
Date: November 25, 2013

T. Tunc Uyanik
Director
East Asia and Pacific Region and Financial Systems Global Practice
Financial & Private Sector Development

TAKASBANK ISTANBUL SETTLEMENT AND CUSTODY BANK INC.

By: Cengiz Özübek
Date: December 20, 2013

Name: Cengiz Özübek
Title: Executive Vice President

Name: Murat İliş
Title: CEO
Global Islamic Finance Development Multi-Donor Trust Fund Description

This Annex shall be applicable to and form an integral part of all administration agreements for the Trust Fund (collectively, the “Administration Agreements” and each an “Administration Agreement”) between the Bank and any entities that provide any funds to the Trust Fund (collectively, the “Donors”).

1. Objectives

The objectives of the Trust Fund are to: (a) provide technical assistance to global standard setting bodies in Islamic finance such as the Islamic Financial Services Board (IFSB), the Accounting and Auditing Organization for Islamic Financial Institutions (AAOIFI), the International Islamic Financial Markets (IIFM), and the Islamic Development Bank (IDB) to strengthen the regulatory and institutional frameworks of Islamic finance; (b) promote the systematic and sustained use of relevant knowledge and develop good practices to raise awareness, build consensus and foster the advancement of Islamic finance globally; and (c) carry out research on the use of Islamic finance products and services.

2. Activities

The activities to be financed by the Trust Fund are:

(a) Development and Implementation of Global Standards

Provide technical assistance to the IFSB, AAOIFI, IIFM and IDB to:

(i) Identify core principles that would strengthen the legal and insolvency framework of Islamic financial institutions (banks, Takaful and Retakaful companies) and for Sukuk (Islamic bonds), including reviewing the limitations of the current approach to insolvency, undertaking case studies of recent cases of insolvency and proposing a suitable set of principles for the resolution of bankruptcy and insolvency cases and reviewing the regulatory framework of Islamic financial institutions.

(ii) Prepare a global survey of governance practices in areas such as the selection of Sharia board members the roles and responsibilities of board members, the reporting lines and budget accountability as input into developing best practices.

(iii) Develop standards on liquidity risk management for Islamic banks, including review of current industry practices, identification of risk sources, development of guidelines on risk measurement as well as components of an effective control regime for liquidity risk.

(iv) Develop guidance notes for accounting and auditing standards and the harmonization of documentation, working procedures, and Sharia reviews.

(b) Development and Implementation of Effective Supervisory Frameworks

Provide technical assistance to the IFSB to:

(i) Develop Core Principles for the Effective Supervision of Islamic Banks and Insurance companies including the preparation of related papers and supporting a survey of supervisory authorities to identify approaches to supervision of Islamic financial institutions.
(ii) Develop guidelines for macro-prudential analysis and supervision of Islamic banks and insurance companies including the preparation of a background papers on macro-prudential issues, identification of relevant indicators of systemic risk, customization of stress-testing techniques and design of a suitable macro-prudential framework.

(c) Knowledge Generation and Dissemination

(i) Conduct research including on the linkages between Islamic finance and economic development, with particular focus on the potential contribution of Islamic finance to eliminating extreme poverty and boosting shared prosperity in Bank client countries; and the key obstacles for expanding access to Islamic financial services.

(ii) Design and deliver policy workshops and seminars on Islamic finance, addressing topics such as the implications of global regulatory reforms, the policy environment for long-term financing, alternatives to treatment of risk in Takaful and the role of risk-sharing in fostering financial stability.

3. Eligible Expenditures

The Trust Fund funds may be used to finance:

(a) Associated Overheads
(b) Consultant Fees Individuals and Firms
(c) Contractual Services
(d) Extended Term Consultants
(e) Field Assignment Benefits
(f) Media, Workshop, Conference and Meeting
(g) Staff Costs – No Indirect Costs
(h) Temporary Support Staff Costs
(i) Travel Expenses

4. Taxes

The foregoing activities and categories of expenditures may include the financing of taxes in accordance with the Bank’s applicable policies and procedures.

5. Governance

A Steering Committee will be established to: (i) provide strategic guidance and direction on the implementation of the Trust Fund activities; and (ii) review annual work plans and budgets.

The Steering Committee will be comprised of two representatives of the Bank, including the Program Manager of the Trust Fund, and senior representatives of each donor contributing to the Trust Fund. It is envisaged that the Steering Committee will meet at least once annually. The meetings will be chaired by Program Manager of the Trust Fund. Meetings will be conducted in person or by audio and/or video.

An External Advisory Panel will also be established based on terms of reference produced by the Bank to provide technical input on the annual work plans before their submission to the Steering Committee for review.
ANNEX 2

Standard Provisions

This Annex shall be applicable to and form an integral part of all Administration Agreements between the Bank and the respective Donors.

1. Administration of the Contributions

1.1 The Bank shall be responsible only for performing those functions specifically set forth in this Administration Agreement and shall not be subject to any other duties or responsibilities to the Donors, including, without limitation, any duties or obligations that might otherwise apply to a fiduciary or trustee under general principles of trust or fiduciary law. Nothing in this Administration Agreement shall be considered a waiver of any privileges or immunities of the Bank under its Articles of Agreement or any applicable law, all of which are expressly reserved.

1.2 Each Donor’s Contribution (collectively, the “Contributions”) shall be administered in accordance with the Bank’s applicable policies and procedures, as the same may be amended from time to time, including its procurement, financial management, disbursement and safeguard policies, its framework to prevent and combat fraud and corruption and its screening procedures to prevent the use of Bank resources to finance terrorist activity, in line with the Bank’s obligations to give effect to the relevant decisions of the Security Council taken under Chapter VII of the Charter of the United Nations. The Donors acknowledge that this provision does not create any obligations of the Bank under the anti-terrorist financing and asset control laws, regulations, rules and executive orders of an individual member country that may apply to a Donor.

2. Management of the Contributions

2.1 The funds deposited in the Trust Fund shall be accounted for as a single trust fund and shall be kept separate and apart from the funds of the Bank. The funds deposited in the Trust Fund may be commingled with other trust fund assets maintained by the Bank. The Bank, in its capacity as trustee, has legal title to the funds deposited in the Trust Fund.

2.2 The currency in which the funds in the Trust Fund shall be held is United States dollars (the “Holding Currency”).

2.3 Donors agree to deposit their Contributions in the Contribution Currency stated in their respective Administration Agreements. In the case of deposits received in a Contribution Currency other than the Holding Currency, promptly upon the receipt of such amounts and the accompanying Deposit Instructions, the Bank shall convert such amounts into the Holding Currency at the exchange rate obtained by the Bank on the date of the conversion. Where deposits prove to be insufficient to complete activities as a result of exchange rate fluctuations, neither the Bank nor the Donor shall bear any responsibility for providing any additional financing.

2.4 The funds deposited in the Trust Fund may be freely exchanged by the Bank into other currencies as may facilitate their disbursement at the exchange rate obtained by the Bank on the date of the conversion.

2.5 The Bank shall invest and reinvest the funds deposited in the Trust Fund pending their disbursement in accordance with the Bank’s applicable policies and procedures for the investment of trust funds administered by the Bank. The Bank shall credit all income from such investment to the Trust Fund to be used for the same purposes as the Contributions.
3. **Trust Fund Fees and Costs**

3.1 The Bank shall deduct and retain for its own account, as a one-time deduction from the funds in the Trust Fund, an amount equal to and not greater than thirty-five thousand United States Dollars (US$35,000) as a set-up fee for the Trust Fund upon receipt of funds in the Trust Fund.

3.2 The Bank shall additionally deduct and retain for its own account, as a deduction from each Installment, an amount equal to five percent (5%) per Installment as an administrative fee for the Trust Fund.

3.3 Each Donor acknowledges and agrees that the percentage deductions for fees in this Trust Fund Fees and Costs section are estimated on the basis of anticipated Contributions. If actual Contributions significantly differ from what was originally anticipated at the time of signature of the first Administration Agreement, or if other circumstances affecting Trust Fund fees or costs change, the Bank reserves the right to request a change to the terms of this Trust Fund Fees and Costs section, which would be effectuated by amendments made to the Administration Agreements of all Donors and which would thereafter be applicable to all new Contributions that are provided either as amendments to supplement existing Administration Agreements or from new Donors under new Administration Agreements.

4. **Accounting and Financial Reporting**

4.1 The Bank shall maintain separate records and ledger accounts in respect of the funds deposited in the Trust Fund and disbursements made therefrom.

4.2 The Bank shall furnish to the Donors current financial information relating to receipts, disbursements and fund balance in the Holding Currency with respect to the Contributions via the World Bank’s Trust Funds Donor Center secure website. Within six (6) months after all commitments and liabilities under the Trust Fund have been satisfied and the Trust Fund has been closed, the final financial information relating to receipts, disbursements and fund balance in the Holding Currency with respect to the Contributions shall be made available to the Donors via the World Bank’s Trust Funds Donor Center secure website.

4.3 The Bank shall provide to the Donors via the World Bank’s Trust Fund Donor Center secure website, within six (6) months following the end of each Bank fiscal year, an annual single audit report, comprising (i) a management assertion together with an attestation from the Bank’s external auditors concerning the adequacy of internal control over cash-based financial reporting for all cash-based trust funds as a whole; and (ii) a combined financial statement for all cash-based trust funds together with the Bank’s external auditor’s opinion thereon. The cost of the single audit shall be borne by the Bank.

4.4 If a Donor wishes to request, on an exceptional basis, a financial statement audit by the Bank’s external auditors of the Trust Fund, the Donor and the Bank shall first consult as to whether such an external audit is necessary. The Bank and the Donor shall agree on the appropriate scope and terms of reference of such audit. Following agreement on the scope and terms of reference, the Bank shall arrange for such external audit. The costs of any such audit, including the internal costs of the Bank with respect to such audit, shall be borne by the requesting Donor.

5. **Progress Reporting**

5.1 The Bank shall provide the Donors with annual reports on the progress of activities financed by the Contributions. Within six (6) months of the End Disbursement Date (as defined below), the Bank shall furnish to the Donors a final report on the activities financed by the Trust Fund.

5.2 Any Donor may review or evaluate activities financed by the Trust Fund at any time up to six (6) months following the End Disbursement Date. The Donor and the Bank shall agree on the scope and
conduct of such review or evaluation, and the Bank shall provide all relevant information within the limits of the Bank's applicable policies and procedures. All associated costs, including any costs incurred by the Bank, shall be borne by the Donor. It is understood that any such review or evaluation will not constitute a financial, compliance or other audit of the Trust Fund.

6. **Disbursement; Cancellation; Refund**

6.1 It is expected that the funds deposited in the Trust Fund will be fully disbursed by the Bank by October 31, 2017 (the "End Disbursement Date"). The Bank shall only disburse funds deposited in the Trust Fund for the purposes of this Administration Agreement (other than returns to Donors) after such date to the extent such date is changed in accordance with amendments made to the Administration Agreements of all the Donors. Following the End Disbursement Date, the Bank shall return any remaining balance of the Trust Fund to each Donor in the Holding Currency in the manner specified in its respective Administration Agreement on a pro rata basis with regard to the total funds deposited in the Trust Fund by such Donor relative to the total funds deposited in the Trust Fund by all Donors, all calculated as Holding Currency amounts.

6.2 Any Donor may cancel all or part of such Donor's pro rata share, and the Bank may cancel all or any Donors' pro rata shares, upon three (3) months' prior written notice, of any Contributions (paid and not yet paid) that are not committed pursuant to any agreements entered into between the Bank and any consultants and/or other third parties for the purposes of this Administration Agreement, including any Grant Agreements, prior to the receipt of such notice. In the event of a cancellation, the Bank shall return to the relevant Donor its pro-rata share in the Holding Currency as specified in the Administration Agreement; unless otherwise agreed between the Bank and the Donor.

7. **Disclosure; Dispute Resolution**

7.1 The Bank shall disclose the Administration Agreements and related information on this Trust Fund in accordance with the Bank's Policy on Access to Information. By entering into Administration Agreements, the Donors consent to such disclosure of their respective Administration Agreements and such related information.

7.2 The Donors and the Bank shall use their best efforts to amicably settle any dispute, controversy, or claim arising out of or relating to the Administration Agreements.