Amendment to the Administration Agreement between the Government of the Swiss Confederation and the International Bank for Reconstruction and Development and the International Development Association concerning the Single-Donor Trust Fund for Financial Sector Development Project in the Kyrgyz Republic (TF072067)

1. Reference is made to the Administration Agreement between the Government of the Swiss Confederation, acting through its State Secretariat for Economic Affairs (SECO) (the “Donor”) and the International Bank for Reconstruction and Development and the International Development Association (collectively, the “Bank” and together with the Donor, the “Parties” and each a “Party”), regarding the Single-Donor Trust Fund for Financial Sector Development Project in Kyrgyz Republic (“Trust Fund”), effective as of August 8, 2013 (the “Administration Agreement”).

2. The Bank acknowledges that the Donor agrees to provide a supplemental contribution in the amount of two million United States Dollars ($2,000,000) (the “Contribution”) for the Trust Fund in accordance with the terms of this Amendment.

3. The Donor shall deposit the Contribution in accordance with the following schedule and in the currency specified in section 2 above into such bank account designated by the Bank (each amount deposited referred to as an “Installment”) upon submission of a payment request by the Bank:

   (A) Promptly following countersignature – USD 1,500,000.
   (B) By December 31, 2015 – USD 500,000.

4. When making a 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 No. TF072067, 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 (202) 614-1315.

5. Additionally, the Parties agree to the following amendments to the Administration Agreement:

   A. The Project Development Objective set forth in Section 1 of Annex I to the Administration Agreement shall change to read as follows:

   “The Project Development Objective of this TF is to enhance financial sector stability by (i) strengthening the legal and regulatory capacity of NBKR as a financial sector regulator; and (ii) improving financial safety net”.

   B. Activity (a) in Section 2 of Annex I to the Administration Agreement to be read as follows:

   “(a) TA-Increasing Supervisory Capacity of NBKR: The objective of this activity is to strengthen the supervisory capacity of NBKR and to develop the risk-based supervision framework in line with international best practices. The activities shall include: (a) improving the supervisory capacity in specific areas of consolidated supervision, electronic and mobile banking, and bank licensing framework; and (b) drafting manuals for off-site and on-site staff on conducting risk-based supervision over bank and non-banks. The risk-based framework will take into account the recommendations and standards of Basel II and III and be based on a risk estimation and rating methodology for banks and non-banks (microfinance organizations (MFO), credit unions (CU)).
The risk-based supervision approach will be designed for application during the entire supervisory cycle including on-site supervision.

C. Additional activities (e), (f), and (g) shall be included and described in Section 2 of Annex 1 to the Administration Agreement to read as follows:

“(e) TA-Deposit Protection Framework: The objective of this activity is to strengthen the deposit insurance framework by undertaking diagnostic of Deposit Protection Agency’s compliance with Core Principles for Effective Deposit Insurance Systems issues by the Basel Committee on Banking Supervision and IADI, including:

(i) Implementation of risk-adjusted differential premium system;
(ii) Improvement of the coordination among safety-net participant within the deposit protection system; and
(iii) Promotion of public awareness and financial literacy of deposit protection system.”

(f) TA-Strengthening the Non-Banking sector Supervisory Capacity of the NBKR: This activity will include conducting review and providing recommendations for improvement and development of the regulatory framework for micro-finance organizations, payment service operators, and agent banking, and establishment financial sector council.

(g) TA-Strengthening the Regulatory and Supervisory Framework for Islamic Banking: The activities will include: (i) conducting an assessment of the existing regulatory framework and current practices for prudential supervision of Islamic banks; (ii) providing recommendations and support for the improvement of the current arrangement; and (iii) designing and delivering a training workshop to NBKR supervisors on the critical elements of Islamic banking and appropriate supervisory approaches.”

6. All other terms of the Administration Agreement shall remain the same.

7. The Bank shall disclose this Amendment in accordance with the Bank’s Policy on Access to Information. By entering into this Amendment, the Donor consents to such disclosure.

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

INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT
INTERNATIONAL DEVELOPMENT ASSOCIATION

By: Jean-Michel Happi
Country Manager
Date: December 10, 2014

Swiss State Secretariat for Economic Affairs
By: Beatrice Maser Mallor
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Date: 12/12/2014