

By-Laws of the Black Sea Trade and Development Bank

Section 1: Headquarters and Offices of the Bank

Section 2: Rules of Procedure - Board of Governors

Section 3: Conditions of Service - Governors

Section 4: Conditions of Service - Directors

Section 5: Conditions of Service - President

Section 6: Conditions of Service - Vice Presidents and Secretary General

Section 7: Code of Conduct

Section 8: Delegation of Powers

Section 9: Vacancies on the Board of Directors

Section 10: Report of the Board of Directors

Section 11: Financial Year

Section 12: Audits and Budget

Section 13: Application for Membership of the Bank

Section 14: Suspension of a Member

Section 15: Absence of Representation

Section 16: Amendments to the By-Laws

These By-Laws are adopted under the authority of, and are intended to be complementary to, the Agreement Establishing the Black Sea Trade and Development Bank (hereinafter referred to as the "Agreement") and they shall be construed accordingly.

In the event of a conflict between the provisions of these By-Laws and the provisions of the Agreement, the provisions of the Agreement shall prevail. In the event of a conflict between these By-Laws and any rules and regulations adopted pursuant to the Agreement, the By-Laws shall prevail.

Section 1: Headquarters and Offices of the Bank

- (a) The Headquarters of the Bank shall be located in Thessaloniki, Hellenic Republic.
- (b) The Board of Directors, upon the approval of the Board of Governors, may authorize the establishment of representatives offices of the Bank at any place in the territories of any Member, whenever it is necessary to do so in order to facilitate the efficient conduct of the business of the Bank.

Section 2: Rules of Procedure - Board of Governors

All matters before the Board of Governors shall be governed by the Rules of Procedure of the Board of Governors.

Section 3: Conditions of Service - Governors

Governors and their Alternates or Temporary Alternates shall perform their duties without remuneration from the Bank. Their business class travel expenses incurred in attending meetings of the Board of Governors as well as a daily allowance shall be paid by the Bank.

Section 4: Conditions of Service - Directors

(A) Service:

- (a) Each Director and his or her Alternate shall devote to the activities of the Bank such time and attention as the interests of the institution may require, and one or other shall normally be available at meetings of the Board of Directors at the Bank's Headquarters or elsewhere as decided by the Board of Directors.
- (b) When a Director or his or her Alternate is unable to attend to the business of the Bank for reasons of health or similar reasons, the Director may appoint a Temporary Alternate to take his or her place.

(B) Remuneration:

- (a) Each Director or Alternate Director or Temporary Alternate Director shall receive remuneration as well as travel expenses and daily allowances as provided in sub-sections I and II of this Section for any meeting of the Board of Directors they attend. Their rates of remuneration for attending such meetings shall be determined from time to time by the Board of Governors. Remuneration as determined shall continue until changed by the Board of Governors.
- (b) Any Director or Alternate Director or Temporary Alternate Director travelling on Bank mission at the Bank's expense shall arrange his or her travel in an economic and reasonable manner. Travelling expenses and daily allowances shall be paid in accordance with the established procedures of the Bank.

I. Travelling Expenses

The Board of Directors may make appropriate provision whereby each Director or Alternate Director or Temporary Alternate Director shall be entitled to a reasonable allowance for travel expenses in travelling officially from his or her home to the place of any meeting of the Board of Directors, as specified in the notice of the Meeting, and back home.

II. Daily Allowances

- (a) Each Director or Alternate Director or Temporary Alternate Director shall be entitled to receive a daily allowance at a rate determined from time to time by the Board of Governors, which shall be deemed to cover all expenditure incurred by the Director or Alternate Director or Temporary Alternate Director in attending meetings of the Board of Directors, except for travel expenses referred to above.
- (b) In the interests of the Bank, other appropriate arrangements consistent with the By-Laws and their purposes may be made in individual cases, as determined by the Board of the Directors.

(C) Office Services for Meetings of the Board of Directors:

The Bank shall provide such secretarial and other staff services, office space and other facilities as may be necessary for the performance of the duties of the Directors and their Alternates or Temporary Alternates when attending meetings of the Board of Directors.

Section 5: Conditions of Service - President

The salary and other terms of remuneration and any allowances of the President shall be determined by the Board of Governors on recommendation of the Board of Directors and shall be included in his or her contract. The President may participate in such insurance, medical, pension, retirement and other plans as may be established for the staff of the Bank.

Section 6: Conditions of Service - Vice Presidents and Secretary General

The salary and other terms of remuneration and any allowances, and the term of office of the Vice Presidents and Secretary General, shall be determined upon the recommendation of the President by the Board of Directors and included in their respective contracts. The Vice Presidents and Secretary General may participate in such insurance, medical, pension, retirement and other plans as may be established for the staff of the Bank.

Section 7: Code of Conduct

The Board of Governors shall adopt, and may from time to time revise, a Code of Conduct concerning inter alia personal investment holdings and transactions which shall be binding on all Directors, their Alternates and Temporary Alternates, the President, Vice Presidents and Secretary General, and officers and staff of the Bank.

Section 8: Delegation of Powers

- (a) The Board of Directors is authorized by the Board of Governors to exercise all the powers of the Bank, with the exception of those expressly reserved to the Board of Governors by Paragraph 2 of Article 23 and other provisions of the Agreement, and subject to these By-Laws. The Board of Directors shall not take any action or decision pursuant to powers delegated by the Board of Governors which is inconsistent with any action or decision taken by the Board of Governors.
- (b) The President shall conduct, under the direction of the Board of Directors, the current business of the Bank and shall report to the Board of Directors accordingly. The Board of Directors shall establish conditions (including provision for reporting), procedures and thresholds pursuant to which the President may submit various types of matters to it for consideration under an expedited procedure.

Section 9: Vacancies on the Board of Directors

- (a) When a new Director has to be appointed because of a vacancy arising in terms of Paragraph 5 of Article 25 of the Agreement, the President shall notify the Member which appointed the former Director of the existence of the vacancy.
- (b) When a new Director is appointed, the Alternate of the former Director shall continue in office until he or she is re-appointed or a successor to him or her is appointed.

Section 10: Report of the Board of Directors

At each annual meeting of the Board of Governors, the Board of Directors shall submit an annual report on the operations and policies of the Bank, including a separate report on the activities of any Special Funds of the Bank, established or accepted in accordance with Article 16 of the Agreement.

Section 11: Financial Year

The financial year of the Bank shall begin on 1 January and end on 31 December of each year, except if the entry into force of the Agreement is later than 1 January, when the financial year shall begin on the date of entry into force and shall end on 31 December of the same year.

Section 12: Audits and Budget

- (a) The accounts of the Bank shall be audited in accordance with generally accepted accounting principles at least once a year by independent external auditors of international reputation appointed upon the recommendation of the Board of Directors and approval by the Board of Governors on the basis of a proposal by the President after an international tender. On the basis of this audit the Board of Directors shall submit to the Board of Governors for approval at its annual meeting a statement of accounts, including a general balance sheet and a statement of profit and loss. A separate financial statement shall be submitted for the operations of any Special Funds.
- (b) The President shall prepare an annual administrative budget to be presented to the Board of Directors for approval, no later than two months before the beginning of the financial year to which it refers. The budget, as approved, shall be presented to the Board of Governors at its next annual meeting.

Section 13: Application for Membership of the Bank

When submitting an application to the Board of Governors, with a recommendation that the applicant BSEC Participating State or multilateral bank or financial institution be admitted to membership, the Board of Directors, inter alia after a report, in consultation with the applicant, by the President, shall recommend to the Board of Governors the number of shares of capital stock to be subscribed and such other conditions as, in the opinion of the Board of Directors, the Board of Governors may wish to prescribe.

Section 14: Suspension of a Member

Before any Member is suspended from membership of the Bank, the matter shall be considered by the Board of Directors, inter alia after a proposal by the President. The President shall inform the Member sufficiently in advance of the complaint against it, and shall give the Member reasonable time to explain its case orally and in writing. The Board of Directors shall recommend to the Board of Governors whatever action it considers appropriate. The Member shall be notified of the recommendation and of the date on which the matter is to be considered by the Board of Governors, and it shall be given reasonable time in which to present its case orally and in writing before the Board of Governors. Any Member may waive this right.

Section 15: Absence of Representation

Whenever the Board of Directors is to consider a matter particularly affecting a Member which has no Director or Alternate of its own nationality, the Member shall be promptly informed by rapid means of communication of the date set for its consideration and shall

have the right to send a representative to the meeting. The Member shall be given reasonable notice of the meeting and offered a reasonable opportunity to present its views and to be heard at the meeting. If the Member does not send a representative to the meeting, the Directors may take a decision on the matter without the participation of the Member. Any Member, so electing, may waive its right to send a representative to the meeting.

Section 16: Amendments to the By-Laws

The Board of Governors may amend these By-Laws at any of its sessions or by taking a vote without a meeting, in accordance with the provisions of Section 10 of the Rules of Procedures of the Board of Governors.