NIB’s updated Statutes enter into force on 29 July 2020

The banking industry has undergone significant changes since the last financial crisis in terms of capital and risk management and regulatory oversight. In order to adapt NIB to these developments and to secure its strong position for the future, the owner countries have updated the Bank’s Statutes.

The statutory changes expand NIB’s financing capabilities and ensure efficient control of its operations. The more agile framework increases NIB’s flexibility and allows for more efficient allocation of financing to projects that improve productivity and benefit the environment.

Sound and comprehensive policies for capital and risk management ensure bondholders that NIB also in the future will maintain the highest possible issuer credit rating and obtain funds from the capital markets on advantageous terms, which is essential for the implementation of the mandate.

The Agreement on NIB dated 11 February 2004 and the Amending Agreement dated 28 February 2020, with the amended Statutes annexed, are available here.

The amendments to the Statutes cover the following areas:

Capital and liquidity management
The Bank’s statutory gearing limit has been replaced with a risk-based comprehensive framework for capital and liquidity management, in accordance with sound banking principles, introducing minimum requirements for capital, liquidity and leverage.

The new framework takes into account the quality of NIB’s assets and allows for a more efficient use of NIB’s authorised capital while supporting the highest possible AAA/Aaa issuer credit rating of the Bank.

Abolishment of PIL and MIL loan facilities and increase of authorised capital
Provisioning for the Project Investment Loans (PIL) facility has been converted into paid-in capital and the owner countries’ guarantees have been converted into callable capital. The Environmental Investment Loan (MIL) facility has been discontinued without any conversion of guarantees. The outstanding amounts under the PIL and MIL facilities have been incorporated into ordinary lending.

The update streamlines NIB’s capital requirements and allows the Bank to allocate its capital resources to more efficient use and allow for significantly increased flexibility, impact and agility. The discontinuing of PIL and MIL will also provide the member countries with a more predictable position towards NIB.

Control Committee
To improve institutional governance, the roles of the Control Committee and external auditors have been clarified and the role of the Chairmanship strengthened. NIB is adapting to increasingly complex financial markets and governance practices.

The monitoring of NIB’s capital, liquidity management and risk taking has therefore been improved. The Control Committee will now monitor the fulfilment of NIB’s purpose and mandate, while the Chairmanship will focus on financial and technical aspects. The Chairmanship will administer the responsibilities and tasks of the whole Control Committee and arrange NIB’s financing audit to be carried out by external auditors. The Board of Governors now has a possibility to appoint two additional members to the Chairmanship.

Equity participations
Allowing for equity participations as a new form of financing for the Bank in addition to loans and guarantees. However, this would require a unanimous pre-approval of the Board of Directors and is subject to limits based on available capital.

Board of Governors Principles for Capital and Liquidity Management
Comprehensive provisions regarding capital and liquidity management have been included in a new document “Principles for Capital and Liquidity Management” approved by the Board of Governors.

These Principles provide a tool for NIB’s owners via the Governors to fine tune the capital and liquidity management framework and limits introduced in the Statutes. The principles include rules and guidance on the quality of NIB’s capital and liquidity management framework, and provide a reference for the work of the Control Committee, external auditors and guidance to various external stakeholders (rating agencies, investors etc.).