

**GOVERNMENT OF INDIA
FINANCE
LOK SABHA**

UNSTARRED QUESTION NO:731
ANSWERED ON:24.07.2015
New Development Bank
Deo Shri Arka Keshari

Will the Minister of FINANCE be pleased to state:

- a) whether the New Development Bank popular as BRICS Bank has started functioning at Shanghai;
- b) if so, the details thereof along with the priority areas and the salient features of the said Bank; and
- c) whether the said bank mobilise the funds, if so the details thereof along with the India's contribution to the said bank?

Answer

MINISTER OF STATE IN THE MINISTRY OF FINANCE (SHRI JAYANT SINHA)

a) The New Development Bank has come into existence on 7th July, 2015 after ratification of the Inter-Governmental Agreement and Articles of Association (AoA) of the Bank by the BRICS nations. The Bank is expected to commence lending operations in early 2016.

b) The priority objective of the bank is on mobilizing resources for infrastructure and sustainable development projects in BRICS and other emerging economies and developing countries. The salient features of the bank are as follows:

i. The bank will complement the existing efforts of multilateral and regional financial institutions for global growth and development. The Bank shall support public and private projects through loans, guarantees, equity participation and other financial instruments.

ii. BRICS countries are the founding members of the Bank and membership will be opened to any sovereign member of the United Nations.

iii. The founding members have equal shareholding. The shareholding of the BRICS countries will not be diluted below 55% at any time.

iv. The initial authorized capital of the Bank will be USD 100 billion. The initial subscribed capital of the Bank will be USD 50 billion.

v. Each founding member will initially subscribe to USD 2 billion paid-in capital which is to be paid in 7 installments over 7 years.

vi. Voting will be proportional to shares with no basic votes. Founding members shall have equal voting power.

vii. Governance and management structure: The Bank shall have a Board of Governors, a Board of Directors, a President and Vice-Presidents as decided by the Board of Governors, and such other officers and staff as may be considered necessary. Governors shall be at ministerial level, subject to the pleasure of the member appointing him. The first chair of the Board of Governors shall be from Russia.

viii. The Board of Directors shall be a non-executive and shall function as a non-resident body, unless the Board of Governors decides otherwise. Directors shall serve a term of two years and may be re-elected. There shall be a non-executive Chairman of the BoD for a term of 4 years. The first Chairman of the BoD will be from Brazil.

ix. The Presidency of the Bank will rotate every five years among the founding BRICS members. India will hold the first Presidency of the Bank. It is decided that the subsequent Presidencies shall be held in the order of Brazil, Russia, South Africa and China.

x. There shall be at least one Vice President from each founding member except the country represented by the President.

xi. Appointments for the staff of the Bank will be made on the principle of merit according to requirements established by the Board of Directors.

xii. The Headquarters of the Bank will be located in Shanghai. The first regional office of the Bank will be launched in Johannesburg. The subsequent regional offices will be established as per need.

c) The bank will mobilize funds by capital contributions from all the members and through borrowing from capital markets. It will utilize the resources at its disposal to support infrastructure and sustainable development projects, public or private, in BRICS and other emerging market economies and developing countries, through the provision of loans, guarantees, equity participation, and other financial instruments. India's capital contribution will be USD 10 billion out of which USD 2 billion will be paid in cash in USD on installments over 7 years, and the balance shall be earmarked as callable capital to be called by the Bank, in case of need.