



International Oil Pollution
Compensation Funds

Agenda Item 6	IOPC/NOV23/6/6	
Date	28 September 2023	
Original	English	
1992 Fund Assembly	92A28	●
1992 Fund Executive Committee	92EC81	
Supplementary Fund Assembly	SA20	●

AMENDMENTS TO FINANCIAL REGULATIONS

Note by the Secretariat

Summary:	This document sets out proposed amendments to the following 1992 Fund and Supplementary Fund Financial Regulations:
	<ul style="list-style-type: none"> (a) 9.2 relating to the management of monies; (b) 10.4 regarding the investment of assets; and (c) Annex I relating to the mandate of the joint Investment Advisory Body.
Action to be taken:	<u>1992 Fund Assembly and Supplementary Fund Assembly</u>
	Decide whether to approve the proposed amendments to the Financial Regulations of the 1992 Fund and Supplementary Fund as set out at Annexes I, II and III.

1 Introduction

As a result of recent changes within the Secretariat, a change to the Internal Investment Guidelines and a suggestion from the joint Investment Advisory Body (IAB), the Director is proposing amendments to the following 1992 Fund and Supplementary Fund Financial Regulations:

- (a) 9.2 relating to the management of monies;
- (b) 10.4 regarding the investment of assets; and
- (c) Annex I relating to the mandate of the joint Investment Advisory Body.

2 Proposed amendments to Financial Regulation 9.2

- 2.1 At the May 2023 sessions of the governing bodies, the Director referred to changes he had introduced to the structure of the Secretariat and reported that the External Relations and Conference (ERC) Department would become a section under the Administration Department as of 1 June 2023. He explained that Mr Thomas Liebert, the former Head of the ERC Department, would continue to focus on HNS-related issues as HNS Project Officer within the Director's Office (see document IOPC/MAY23/9/1, paragraph 2.1.8).
- 2.2 In accordance with Financial Regulation 9, the Director may authorise officers to act as signatories on behalf of the 1992 Fund in giving payment instructions, when signed by two signatories as set out in the Regulation.
- 2.3 As a result of the changes described in paragraph 2.1 above, the Director is proposing amendments to Financial Regulation 9.2 of the 1992 Fund and Supplementary Fund in respect of the management of monies to ensure the correct positions are listed in accordance with the new structure of the Secretariat.

- 2.4 The proposed amendments to Financial Regulation 9 of the 1992 Fund are at Annex I.
- 2.5 It is further proposed that the corresponding amendments also be made to the Financial Regulations of the Supplementary Fund, also set out at Annex I.

3 Proposed amendments to Financial Regulation 10.4

- 3.1 At its March 2022 meeting of the joint 1992 Fund and Supplementary Fund Investment Advisory Body (IAB), it was noted that the External Auditor had commented that Financial Regulation 10.4 could be clearer with regards to the investment of assets. While 10.4 (d) refers to the maximum amount that should be invested by both the 1992 Fund and Supplementary Fund together, the preceding point (c) refers solely to the 1992 Fund's assets.
- 3.2 The IAB agreed with the External Auditor that the Regulation should make it clear that the limit on the maximum amount to be invested related to the combined assets of the 1992 Fund and the Supplementary Fund. The Director also agrees that this clarification is required and is proposing to amend Financial Regulation 10.4 (c) accordingly.
- 3.3 The proposed amendments to Financial Regulation 10 of the 1992 Fund are at Annex II.
- 3.4 It is further proposed that the corresponding amendments be made to the Financial Regulations of the Supplementary Fund, also set out at Annex II.

4 Proposed amendments to Annex I of the Financial Regulations

- 4.1 The mandate of the joint Investment Advisory Body is contained at Annex I of the Financial Regulations. Paragraph 2 of the current mandate states that:

'The mandate of the Investment Advisory Body is:

- (a) to advise the Director in general terms on investment matters;
- (b) in particular, to advise the Director on the tenor of the Funds' investments and the suitability of institutions used for investment purposes;
- (c) to draw the Director's attention to any developments which may justify a revision of the Funds' investment policy as laid down by the governing bodies; and
- (d) to advise the Director on any other matters relevant to the Funds' investments.'

- 4.2 In accordance with paragraph (d), the IAB has for some time, advised the Director on the management of currency exposure relating to incidents. Given the importance of this task, the Director is of the view that the addition of a new point (d) specifically referring to the management of currency exposure relating to incidents would provide further clarity on the role and responsibilities of the IAB. He has therefore proposed amendments to the mandate accordingly.
- 4.3 The proposed amendments to Annex I of the Financial Regulations of the 1992 Fund and the Supplementary Fund are set out at Annex III to this document.

5 Action to be taken

5.1 1992 Fund Assembly

The 1992 Fund Assembly is invited to approve the proposed amendments to the following Financial Regulations, as set out at Annexes I, II and III:

- (a) 9.2 relating to the management of monies;
- (b) 10.4 regarding the investment of assets; and
- (c) Annex I relating to the mandate of the joint Investment Advisory Body.

5.2 Supplementary Fund Assembly

The Supplementary Fund Assembly is invited to note the decisions of the 1992 Fund Assembly and approve the corresponding amendments to the following Financial Regulations, as set out at Annexes I, II and III:

- (a) 9.2 relating to the management of monies;
- (b) 10.4 regarding the investment of assets; and
- (c) Annex I relating to the mandate of the joint Investment Advisory Body.

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ANNEX I

FINANCIAL REGULATIONS OF THE INTERNATIONAL OIL POLLUTION COMPENSATION FUND ESTABLISHED UNDER THE 1992 FUND CONVENTION

(Proposed deletions are indicated by strikethrough of the text. New text is indicated in bold.)

Regulation 9

Management of Monies

9.2 The Director may authorise officers to act as signatories on behalf of the 1992 Fund in giving payment instructions. The 1992 Fund's bankers shall be empowered to accept payment instructions on behalf of the 1992 Fund when signed as follows:

- (a) for any sum up to £100 000, by any two officers from category A or B;
- (b) for any sum in excess of £100 000, by one officer from category A plus one officer from category A or B.

For the purposes of this Regulation, the categories are as follows:

Category A Director, Deputy Director/Head of the Claims Department, ~~Head of the External Relations and Conference Department,~~ and the Head of the Administration Department

Category B Chief of Finance and Finance Manager

Further conditions in respect of the delegation of authority under this Regulation shall be laid down by the Director in Administrative Instructions.

**FINANCIAL REGULATIONS OF THE INTERNATIONAL OIL POLLUTION COMPENSATION SUPPLEMENTARY
FUND ESTABLISHED UNDER THE 2003 SUPPLEMENTARY FUND PROTOCOL**

(Proposed deletions are indicated by strikethrough of the text. New text is indicated in bold.)

Regulation 9

Management of Monies

9.2 The Director may authorise officers to act as signatories on behalf of the Supplementary Fund in giving payment instructions. The Supplementary Fund's bankers shall be empowered to accept payment instructions on behalf of the Supplementary Fund when signed as follows:

- (a) for any sum up to £100 000, by any two officers from category A or B;
- (b) for any sum in excess of £100 000, by one officer from category A plus one officer from category A or B.

For the purposes of this Regulation, the categories are as follows:

Category A Director, Deputy Director/Head of the Claims Department, ~~Head of the External Relations and Conference Department,~~ and the Head of the Administration Department

Category B Chief of Finance and Finance Manager

Further conditions in respect of the delegation of authority under this Regulation shall be laid down by the Director in Administrative Instructions.

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ANNEX II

FINANCIAL REGULATIONS OF THE INTERNATIONAL OIL POLLUTION COMPENSATION FUND ESTABLISHED UNDER THE 1992 FUND CONVENTION

(Proposed deletions are indicated by strikethrough of the text. New text is indicated in bold.)

Regulation 10

Investment of Assets

- 10.4 The assets of the 1992 Fund shall be held and invested by the Director in accordance with Financial Regulation 10.1 and the following principles:
- (a) the 1992 Fund's assets shall be held in pounds sterling or, if the Director considers it appropriate, in other currencies to meet claims and claims-related expenses;
 - (b) the assets shall be placed on term deposit or by purchase of Certificates of Deposit with banks or building societies enjoying a high reputation and standing in the financial community; the term of these investments shall not exceed one year;
 - (c) the maximum investment in any bank or building society of the 1992 Fund's **and the Supplementary Fund's combined** assets shall not normally exceed 25% of these assets or £10 million, whichever is the higher;
 - (d) the maximum investment in any bank or building society by the 1992 Fund and the Supplementary Fund shall not together normally exceed £15 million or £20 million in respect to the Funds' house bank(s) or not normally exceed £25 million when the two Funds' combined assets exceed £300 million;
 - (e) any exceptions to the normal limit in Financial Regulation 10.4(c) and (d), shall be reported to the Assembly at its next regular session.

These principles shall be reviewed from time to time.

FINANCIAL REGULATIONS OF THE INTERNATIONAL OIL POLLUTION COMPENSATION SUPPLEMENTARY FUND ESTABLISHED UNDER THE 2003 SUPPLEMENTARY FUND PROTOCOL

(Proposed deletions are indicated by strikethrough of the text. New text is indicated in bold.)

Regulation 10

Investment of Assets

- 10.4 The assets of the Supplementary Fund shall be held and invested by the Director in accordance with Financial Regulation 10.1 and the following principles:
- (a) the Supplementary Fund's assets shall be held in pounds sterling or, if the Director considers it appropriate, in the currencies required to meet claims arising out of a specific incident which have been settled or are likely to be settled in the near future;
 - (b) the assets shall be placed on term deposit or by purchase of Certificates of Deposit with banks or building societies enjoying a high reputation and standing in the financial community; the term of these investments shall not exceed one year;
 - (c) the maximum investment in any bank or building society of the **1992 Fund's and the Supplementary Fund's combined** assets shall not normally exceed 25% of these assets or £10 million, whichever is the higher;
 - (d) the maximum investment in any bank or building society by the 1992 Fund and the Supplementary Fund shall not together normally exceed £15 million or £20 million in respect to the Funds' house bank(s) or not normally exceed £25 million when the two Funds' combined assets exceed £300 million;
 - (e) any exceptions to the normal limit in Financial Regulation 10.4(c) and (d), shall be reported to the Assembly at its next regular session.

These principles shall be reviewed from time to time.

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ANNEX III

ANNEX I OF THE FINANCIAL REGULATIONS OF THE 1992 FUND AND OF THE SUPPLEMENTARY FUND

(Proposed deletions are indicated by strikethrough of the text. New text is indicated in bold.)

MANDATE OF THE JOINT INVESTMENT ADVISORY BODY OF THE 1992 FUND AND THE SUPPLEMENTARY FUND

- 1 The Investment Advisory Body of the International Oil Pollution Compensation Fund 1992 and the International Oil Pollution Compensation Supplementary Fund is composed of three persons appointed by the Assembly of the International Oil Pollution Compensation Fund 1992 for three years.
- 2 The mandate of the Investment Advisory Body is:
 - (a) to advise the Director in general terms on investment matters;
 - (b) in particular, to advise the Director on the tenor of the Funds' investments and the suitability of institutions used for investment purposes;
 - (c) to draw the Director's attention to any developments which may justify a revision of the Funds' investment policy as laid down by the governing bodies; ~~and~~
 - (d) to advise the Director on the management of currency exposure relating to incidents; and**
 - (e) to advise the Director on any other matters relevant to the Funds' investments.
- 3 The Body shall meet at least three times a year. The meetings shall be convened by the Director. Any member of the Body may request a meeting to be held. The Director, the Head of the Administration Department, the Chief of Finance and the Finance Manager shall be present at the meetings.
- 4 The members of the Body shall be available for informal consultations with the Director in case of need.
- 5 The Body shall submit, through the Director, to each regular autumn session of the governing bodies, a report on its activities since the previous regular sessions of the governing bodies.