



INTERNATIONAL  
OIL POLLUTION  
COMPENSATION  
SUPPLEMENTARY  
FUND

ASSEMBLY  
1st session  
Agenda item 33

SUPPFUND/A.1/32  
20 January 2005  
Original: ENGLISH

## WORKING CAPITAL

### Note by the Director of the International Oil Pollution Compensation Funds 1971 and 1992

<b>Summary:</b>	The Director proposes a working capital for the Supplementary Fund of £1 million.
<b>Action to be taken:</b>	Decide the level of the working capital.

#### 1 The issue

- 1.1 In accordance with the proposed Financial Regulation 7.1(b) (cf document SUPPFUND/A.1/28), the Supplementary Fund shall maintain a working capital at such a level as the Assembly may decide from time to time.
- 1.2 The 1971 Fund and the 1992 Fund have established a working capital to be used for payments of compensation which have not been taken into account in the determination of the amount of annual contributions to be levied. The level of the working capital is fixed by the respective Assemblies. The working capital is at present £5 million for the 1971 Fund and £22 million for the 1992 Fund.
- 1.3 If an incident were to occur during the period immediately after the entry into force of the Supplementary Fund Protocol which would require that Fund to make compensation payments, it would be necessary to convene an extraordinary session of the Assembly to consider when contributions should be levied to cover compensation payments in respect of this incident. However, the Supplementary Fund will only make payments when the amount available under the 1992 Conventions has been paid in compensation, ie 203 million SDR (£165 million). It is therefore unlikely that the Supplementary Fund will be called upon to make payments in the early stages of an incident.
- 1.4 In view of what is stated in paragraph 1.3 above in respect of the Supplementary Fund's involvement in the payment of compensation, the Director does not consider it necessary for the Supplementary Fund to have a working capital for that purpose. However, in order to enable the Supplementary Fund to respond to unforeseen expenditure which will probably be modest, it is proposed that the Supplementary Fund should have a working capital of £1 million.
- 1.5 During its consideration in May 2004 of the preparations for the entry into force of the Supplementary Fund Protocol, the 1992 Fund Assembly agreed with the Director that the Supplementary Fund should have a working capital of £1 million (document 92FUND/A/ES.8/4, paragraph 3.5.9).

#### 2 Action to be taken

The Assembly is invited to consider the Director's proposal to set the working capital of the Supplementary Fund at £1 million.

---