

OPERATIONAL AGREEMENT FOR THE MANAGEMENT OF THE NATURAL RESOURCE FUND

This Agreement is made on December 11, 2019, between the Minister of Finance (“Minister”) representing the Government of the Cooperative Republic of Guyana and the Bank of Guyana (“the Bank”), hereinafter referred to as the “Parties”.

Whereas

- I. In accordance with section 11 of the Guyana Natural Resource Fund Act 2019 (“the Act”), the Minister is responsible for the overall management of the Fund;
- II. The Minister is required to enter into an Operational Agreement with the Bank for the operational management of the Guyana Natural Resource Fund, (“the Fund”); and
- III. In accordance with section 12 of the Act, the Bank is responsible for the efficient operational management of the Fund.

Now therefore it is agreed between the Parties as follows:

1. Unless otherwise specified, defined terms used in this agreement shall have the meaning assigned under the Act.

Obligations of the Minister

2. The Minister shall be responsible for the overall management of the Fund, which shall include the following functions to be exercised by the Minister:
 - (a) the establishment of the overall policies and guidelines for the management of the Fund which shall be in accordance with the provisions of the Act;
 - (b) seek the advice of the Investment Committee established under section 13 of the Act, in the preparation of and any amendment to the Investment Mandate which shall include the items specified in section 36 of the Act;
 - (c) not more than fifteen days after the parliamentary approval of the annual budget for the current fiscal year, the provision of a forecast of withdrawals from the Fund for that fiscal year and the timing of these withdrawals; the Minister shall update this forecast not less than 15 days prior to the end of each quarter;
 - (d) not less than fifteen days prior to the commencement of the fiscal year, the provision of a forecast of deposits into the Fund for each month of that fiscal year; the Minister shall update this forecast not less than 15 days prior to the end of each quarter; and
 - (e) consulting with the Bank, as appropriate, concerning the timely release of information to the public.



Obligations of the Bank of Guyana

3. The Bank shall be responsible for the daily operational management of the Fund, which shall include the following functions:
- (a) Investing the Fund in eligible asset classes as set out in this Agreement, the Investment Mandate and in accordance with the Act;
 - (b) exercising all the rights and complying with all obligations necessary for the efficient management of the Fund's investments;
 - (c) receiving and accounting for all deposits into the Fund, including Petroleum Revenues, Excess Mining and Forestry Revenues and the Total Return from investments of the Fund in accordance with section 21 of the Act;
 - (d) without limiting the responsibilities of the relevant authorities for administering Petroleum Revenues and Excess Mining and Forestry Revenues, maintaining a register of all payments made into the Fund by transaction
 - (e) maintaining the books of account for the Fund and all financial and asset records in accordance with International Financial Reporting Standards;
 - (f) appointing and dismissing banking correspondents, dealers, brokers and other financial intermediaries necessary for the proper operational management of the Fund;
 - (g) appointing Private Managers who meet the requirements in section 18 of the Act, to manage part of the Fund, evaluating the performance of such Private Managers on a continuous basis and dismissing such Private Managers;
 - (h) appointing custodians who meet the requirements in section 19 of the Act, for the safekeeping of all or some of the assets of the Fund and dismissing such custodians;
 - (i) preparing monthly and quarterly reports to the Minister in accordance with section 38 of the Act, which shall include a summary of the performance of the Fund and the performance of each Private Manager, including for each private manager the relevant investment index, maximum acceptable tracking error, actual tracking error and Total Return;
 - (j) supplying information to the Minister necessary for the drafting of reports, including all reports relating to the management of the Fund required by law, with all such information being available to the Minister at least thirty days prior to any legislated publication date unless otherwise agreed between the Parties and assisting the Minister in the preparation of the Annual Report of the Fund required under section 41 of the Act;
 - (k) meeting all the operational expenses relating to the management of the Fund, which shall be compensated for from the operational fee as established in this Agreement;
 - (l) implementing management systems, procedures and risk management arrangements which shall be in accordance with international standards, and developing human resources to minimize the risk of operational loss



to the Fund so as to ensure the effective operational management of the Fund;

- (m) opening the bank deposit account required under section 21 of the Act and providing the relevant details of this account to the Minister;
- (n) advising the Minister immediately of all significant events affecting the value of the Fund and other matters considered to be urgent or of importance to the management of the Fund; and
- (o) providing the members of the public with such information concerning the Fund as required by law.

Principles for Operational Management

- 4. The Bank shall implement the operational management of the Fund through the adoption of the following principles:
 - (a) the assets of the Fund shall be maintained in the name of the Bank, but shall at all times be segregated from the other assets of the Bank in such a manner as shall allow the beneficial ownership of the assets and the Total Return associated with those assets to be clearly determined at any time;
 - (b) the books of account and records of the Fund shall be maintained separately from the books of account and records of the Bank to the maximum extent practicable;
 - (c) the Bank shall make the books of account and records relating to the operational management of the Fund available at any time on request to the Minister, staff authorised in writing by the Minister, and the auditors of the Fund; and
 - (d) the Bank shall ensure that all staff associated with the management of the Fund shall be bound by a code of ethics and rules to avoid conflicts of interest.

Eligible Investments

- 5. The Bank shall only be permitted to invest the Fund in the Eligible Asset Classes described in section 31 of the Act.

Notice of Changes to the Investment Mandate

- 6. The Minister shall give the Bank at least four weeks' written notice of any changes to the Investment Mandate, and the Bank shall advise the Minister as to the anticipated length of time it will take to effect the new requirements.
- 7. The Bank shall invest the Fund as determined by the Investment Mandate and in accordance with the Act and this Operational Agreement.

Operational Fee

- 8. The annual fee to be charged by the Bank for the management of the Fund shall be proposed to the Minister by the Board of Directors of the Bank by October 15 of the previous year, and shall be based on the resource requirements of the Bank. The proposal shall include details of employment costs, operational costs



and capital expenditure needed by the Bank to effectively execute its duties as required under the Act and the Operational Agreement.

9. Notwithstanding section 8 of this Operational Agreement, the annual fee to be charged by the Bank for management of the Fund in 2020 only shall be \$168,051,000.
10. The Minister shall provide a no objection to the proposed annual fee within 14 working days of the Bank's submission.
11. Should there be reasonable cause for the Bank to charge in excess of the fee which received no objection, the Bank shall request the consent of the Minister for a variation of the annual fee which shall not exceed 10 percent of the original amount which received no objection.
12. Fees charged by external service providers for services provided to the Fund such as external managers, custodians, lawyers, and external auditors shall be paid, in addition to the fees paid to Bank of Guyana, from the assets of the Fund.

Appointment of Private Managers, Custodians etc

13. The appointment by the Bank of private managers, custodians, banking correspondents, dealers, brokers and other financial intermediaries necessary for the proper operational management of the Fund shall be subject to the following conditions:
 - (a) the Bank shall undertake the procurement process in a fair and transparent manner according to its internal procedures and relevant laws of Guyana;
 - (b) the Bank shall provide a report to the Minister on the appointment and termination of each Private Manager detailing:
 - (i) the services to be provided, including the proposed fees;
 - (ii) its capital, and insurance against operational risk and other relevant insurance;
 - (iii) its references outlining its record of operational and financial performance;
 - (iv) its credit rating;
 - (v) the investment instruction issued to the private manager;
 - (vi) a report on the procurement process including such information required to show that the procurement of the Private Manager was undertaken in accordance with the relevant public procurement laws of Guyana and the Act; and
 - (vii) reasons for termination of services of a Private Manager.
 - (c) the Bank shall provide a report to the Minister on the appointment and termination of a custodian detailing:
 - (i) the services to be provided, including the proposed fees;
 - (ii) its capital, and insurance against operational risk and other relevant insurance;



- (iii) its references outlining its record of operational and financial performance;
 - (iv) its credit rating;
 - (v) a report on the procurement process, including such information required to show that the procurement of the Private Manager was undertaken in accordance with the relevant public procurement laws of Guyana and the Act; and
 - (vi) reasons for termination of services of a custodian.
- (d) the Bank shall in accordance with section 18(4) of the Act enter into a management agreement with a Private Manager which shall provide for the liability of the Private manager for losses that occur due to negligence or intent on the part of the Private Manager and shall include a code of conduct for the Private Manager;
- (e) the Bank shall in accordance with section 19(3) of the Act enter into a custodian agreement with a custodian which shall provide for the liability of the custodian for losses that occur due to negligence or intent on the part of the custodian.
14. The Bank shall within 5 working days from the date of execution, submit a copy of any management agreement or custodian agreement entered into pursuant to clause 9 to the Minister as well as copies of any contracts entered into with a third party for services related to the operational management of the Fund.

Liability for Losses

15. No action will be brought against the Governor, the Board of Directors, the Bank, an employee of the Bank, or any person acting under the direction of the Bank or Governor, for anything done or omitted to be done in good faith in the administration of discharge of powers and duties under the Act, except to the extent that such act or omission is due to wilful misconduct or negligence of the relevant party.
16. To the extent limited by applicable law, the Government indemnifies and holds harmless from any liability, including legal defence costs, the Bank, or any employee of the Bank acting under the direction of the Governor, for anything done or omitted to be done in good faith in the administration of discharge of powers and duties under the Act, except to the extent that such liability arise from wilful misconduct or negligence of the Bank or its employees.

Notice of withdrawal from the Fund

17. The Minister shall provide to the Bank, at least five working days' notice of written payment instructions to transfer amounts from the Fund to the Consolidated Fund. The payment instruction shall include the following information:
- (a) the amount or amounts to be transferred;
 - (b) the date or dates on which the transfer(s) are to take place;
 - (c) the approval of the National Assembly under which the transfer is authorised;



- (d) a statement that the provisions of sections 22, 28 to 30 of the Act have been complied with, including supporting documentary evidence as may be relevant; and
- (e) the signature of the Minister.

Amendments

18. This agreement may be amended by the Parties at any time, provided that the amendments shall not be effective except in writing and signed by both Parties.

Disputes

19. Any dispute arising from the operation of this Agreement shall be resolved amicably by the Parties.

Governing Law

20. This Agreement shall be governed by the laws of Guyana.

Notices

21. Any notice, statement, consent or approval required under this agreement shall be in writing and shall be delivered as follows:

- (a) To the Minister
49 Main and Urquhart Streets
Georgetown
- (b) To the Governor of the Bank of Guyana
1 Church Street and Avenue of the Republic,
Georgetown

Signed by: Minister of Finance

Mant Jordis
Date: 11th December, 2019

Signed by: Governor of the Bank of Guyana

John George
Date: 11th Dec; 2019.

Witnesses:

1. *Sonyia Roopnauth*
Name: Sonya Roopnauth
Ministry of Finance

2. *Morris Munro*
Name: Morris Munro
Bank of Guyana

