

**OPERATIONAL AGREEMENT FOR THE  
MANAGEMENT OF THE NATURAL RESOURCE FUND**

**Between**

**BOARD OF DIRECTORS OF THE NATURAL RESOURCE FUND**

**And**

**BANK OF GUYANA**

**(Dated 18<sup>th</sup> of January, 2023)**

This Agreement is made on January 18, 2023, between the Board of Directors ("Board") representing the Government of Guyana and the Bank of Guyana ("the Bank"), hereinafter referred to as the "Parties".

Whereas

- I. In accordance with section 5 of the Guyana Natural Resource Fund Act 2021 ("the Act"), the Board is responsible for the overall management of the Fund;
- II. The Board 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 7 of the Act, the Bank is responsible for the 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 Board**

2. The Board shall be responsible for the overall management of the Fund, which shall include the establishment of the overall policies and guidelines for the management of the Fund, the preparation of the Investment Mandate, exercise general oversight of all aspects of the operations of the Fund and ensure the Fund is managed in compliance with the Act and all other applicable laws;

#### **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) The investment of the Fund in eligible asset classes as set out in this Agreement 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 Petroleum Revenues deposited into the Fund;
  - (d) without limiting the responsibilities of the relevant authorities for administering Petroleum Revenues, maintaining a register of all payments made into the Fund;
  - (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 13 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 14 of the Act, for the safekeeping of all or some of the assets of the Fund and dismissing such custodians;
- (i) in accordance with sections 28 and 29 (1) and (2) of the Act, preparing monthly reports which shall include a summary of the financial position of the Fund, and quarterly reports which shall include information on the performance of the Fund, financial statements of the fund, and a comparison to relevant index for each eligible asset class;
- (j) supplying information to the Board 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 Board at least thirty days prior to any legislated publication date unless otherwise agreed between the Parties and assisting the Board in the preparation of the Annual Report of the Fund required under section 32 of the Act;
- (k) meeting all the operational expenses relating to the management of the Fund, which shall be compensated for from the management fee as established in this Agreement in compliance with section 42 of the Act;
- (l) implementing management systems, procedures and risk management arrangements which shall be in accordance with international standards, and development of 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 15 of the Act and providing the relevant details of this account to the Board;
- (n) advising the Board 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) undertaking an internal audit of the accounts and other documents relating to the Fund at least annually, as required under section 30 of the Act.

#### **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 Board of Directors, the Minister, staff authorised in writing by the Board of Directors, or 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 22 of the Act.

#### **Notice of Changes to the Investment Mandate**

6. The Board shall give the Bank at least four (4) weeks' written notice of any changes to the Investment Mandate, and the Bank shall advise the Board 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 charged by the Bank for the management of the fund shall be proposed to the Board by 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 cost, operational costs, and capital expenditure needed by the Bank to effectively execute its duties as required under the Act and the Operational Agreement.
9. The Board shall provide a no objection to the proposed annual fee within four (4) weeks of the Bank's submission, subject to section 42 of the Act.
10. 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 Board for a variation of the annual fee which shall not exceed ten (10) percent of the original amount which received no objection.

#### **Appointment of Private Managers, Custodians etc**

11. 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 Board 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; and

- 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.
  - vii.) Reasons for termination of services of a Private Manager
  - c) the Bank shall provide a report to the Board 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; and
    - 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.
  - d) the Bank shall in accordance with section 13(4) 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 14 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.
12. The Bank shall within five (5) working days from the date of execution, submit a copy of any management agreement or custodian agreement entered into pursuant to clause 14 to the Board 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**

13. 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 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 act or omission is due to wilful misconduct or negligence of the relevant party.
14. To the extent limited by applicable law, the Board indemnifies and holds harmless from any liabilities, including legal defence cost, 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 arises from the wilful misconduct or negligence of the Bank or its employees.



#### **Notice of withdrawal from the Fund**

15. The Board agrees that the Ministry of Finance 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 16, 19 to 21 of the Act have been complied with, including supporting documentary evidence as may be relevant; and
- e) the signature of the Minister of Finance or staff authorised in writing by the Minister.

#### **Amendments**

16. 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**

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

#### **Governing Law**

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

#### **Notices**

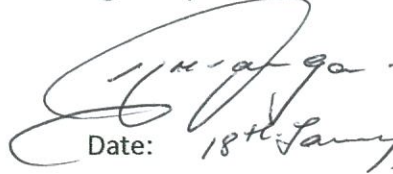
19. Any notice, statement, consent or approval required under this agreement shall be in writing and shall be delivered as follows:

- (a) To the Chairman of the Board of Directors of the Natural Resource Fund  
Office of the President Complex, Shiv Chanderpaul Drive
- (b) To the Governor of the Bank of Guyana  
1 Church Street and Avenue of the Republic

Signed by: Chairman, Board of Directors

Signed by: Governor of the Bank of Guyana

  
Date: 18 Jan 2023

  
Date: 18th Jan, 2023