

المؤسسة العربية لضمان
الإستثمار وائتمان الصادرات
The Arab Investment & Export
Credit Guarantee Corporation



CONVENTION

Establishing

**THE ARAB INVESTMENT
AND EXPORT CREDIT GUARANTEE CORPORATION**

June 2016

The Arab Investment & Export Credit Guarantee Corporation
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Introduction

One of the recommendations of the Arab Countries' Industrial Development Conference held in Kuwait in March 1966 was "Researching the feasibility of establishing a multilateral Arab corporation for guaranteeing Arab and foreign capitals invested in development projects (Recommendation No. 62)."

The Kuwait Fund for Arab Economic Development undertook jointly with the Kuwaiti Ministry of Foreign Affairs the task of pursuing execution of this recommendation. The first meeting of Arab Financing Experts was held in Kuwait during the period of (6-9) November 1967 to examine the subject on the basis of a preliminary research presented by the Kuwait Fund. The deliberations ended with assigning the Fund with following up consideration of the matter and preparing the basic documents necessary for concluding a multilateral convention in this respect.

A second meeting of Arab Financing Experts was subsequently held in Kuwait (10-12 March 1970) and discussed a draft convention for establishing an Arab corporation for the guarantee of investments which the Kuwait Fund had prepared and distributed to the Arab governments. The meeting recommended a number of amendments on the draft convention and referred it to a committee of senior Arab lawyers. It also authorized the Kuwait Fund to proceed with the steps necessary for establishing the corporation and exercising its function. The Fund was also entrusted to draw an explanatory note explaining the general principles on which the project is based to be distributed together with the text of the Convention. The Kuwait Fund prepared the final text of the draft convention in light of the proposed amendments which draft was submitted to the various Arab governments in the summer of 1970. Before the end of 1970, the draft convention had secured the approval of both the Council of Arab Economic Unity and Economic and Social Council of the Arab League on August 29th 1970 and December 16th 1970 respectively. The Convention was opened for signature at the Ministry of Foreign Affairs in the State of Kuwait as of May 1971. The Convention was declared as having come into force as of April 1974 being the date by which it had been ratified by twelve Arab countries subscribing to 70% of the Corporation's capital.

This reprint contains the official non-binding English text of the Convention as amended up to June 15, 2016.

The Contracting Countries

1. Hashemite Kingdom of Jordan
 2. United Arab Emirates
 3. Kingdom of Bahrain¹
 4. Republic of Tunisia
 5. Democratic Peoples Republic of Algeria
 6. Republic of Djibouti²
 7. Kingdom of Saudi Arabia³
 8. Republic of Sudan
 9. Syrian Arab Republic
 10. Democratic Republic of Somalia⁴
 11. Republic of Iraq
 12. Sultanate of Oman⁵
 13. State of Palestine⁶
 14. State of Qatar
 15. State of Kuwait
 16. Republic of Lebanon
 17. State of Libya
 18. Arab Republic of Egypt
 19. Kingdom of Morocco
 20. Islamic Republic of Mauritania⁷
 21. Republic of Yemens
- Additional members⁹:
22. The Arab Fund for Economic And Social Development
 23. The Arab Monetary Fund
 24. The Arab Bank For Economic Development in Africa
 25. The Arab Authority for Agricultural Investment and Development.

¹ It became a party to the Convention and deposited the ratification instruments on November 3rd, 1981.

² It became a party to the Convention and deposited the ratification instruments on May 25th, 1981.

³ It became a party to the Convention and deposited the ratification instruments on April 20th, 1977.

⁴ It became a party to the Convention and deposited the ratification instruments on October 21st, 1981.

⁵ It became a party to the Convention and deposited the ratification instruments on June 5th, 1977.

⁶ It became a party to the Convention and deposited the ratification instruments on March 22nd, 1979.

⁷ It became a party to the Convention and deposited the ratification instruments on May 10th, 1976.

⁸ Prior to the unification of the two parts of Yemen, the Arab Republic of Yemen was a founding member while the Peoples Democratic Republic of Yemen acceded to the Convention and deposited its Articles of ratification no May 9, 1977.

⁹ All became party to the Convention and deposited the ratification instruments on the 14th of April 2004.

Convention to establish the Arab Investment and Export Credit Guarantee Corporation

THE ARAB COUNTRIES signatories to this Convention,

DESIROUS of strengthening their economic relations within a framework of effective cooperation,

SEEKING to promote the flow of capital between their territories to finance their development efforts for the benefit of their peoples,

STRESSING the importance of the role which the Arab investor can play in this respect if reasonable guarantee is assured,

EAGER to provide such guarantee against the non-commercial risks which may confront inter-Arab investment and which are difficult for investing party to avert by other measures, and

ENDEAVOURING to limit the consequences likely to ensue from the realization of such risks,

HAVE AGREED to the following:

**Chapter I: Establishment of the Corporation
Objectives, Status, Seat, Duration, Legal System**

Article 1 – Establishment of the Corporation

There is hereby established in accordance with the provisions of this Convention an organization called “The Arab Investment And Export Credit Guarantee Corporation” (hereinafter referred to as “the Corporation”).

Article 2 – Objectives

1. The Corporation aims at insuring the insured parties directly or through reinsurance and to pay a reasonable compensation for losses arising from the risks specified in this Convention.
2. To promote investments among the contracting countries, the Corporation carries out activities complementary to its main objectives, particularly the promotion of research relating to the identification of investment opportunities and their conditions in the said countries.
3. The Corporation, in order to achieve its objectives, shall wholly or partially finance the insured factoring operations, engage in factoring operations, collection of others’ debts, insurance of warranties, licenses, franchises and intellectual property rights, subscribing to and owning portions of the capital of Arab national public and private insurance organizations, establishment of credit information companies and founding or co-founding of private investment funds in favour of governments and institutions of the member countries.

Article 3 – Status

The Corporation shall possess a juridical personality. It shall enjoy administrative and financial independence and shall possess in the territory of each contracting country all such rights and powers as may be necessary for the fulfillment of its functions.

Article 4 – Seat

The Corporation shall have its seat in the City of Kuwait and may establish branch offices in any other country as it may deem necessary for its activities.

Article 5 – Duration

The duration of the Corporation shall be thirty years commencing from the date on which this Convention enters into force and shall thereafter be automatically renewed for similar successive terms unless the Corporation is dissolved in accordance with the provisions of Article 33.

Article 6 – Legal Regime

1. The Corporation shall be governed by the Convention and by supplementary rules and regulations as may from time to time be laid down by the Shareholders' Council or the Board of Directors.
2. Where in any particular case the texts referred to in the preceding paragraph do not contain an applicable provision, such case shall be governed by the legal principles common to the contracting countries and by the recognized principles of international law.

Chapter II: Membership and Capital

Article 7 – Membership

1. Every contracting country and public organization, nominated by any country, subscribing to the initial capital of the Corporation, shall be considered an original member pursuant to the subscription schedule attached hereto.
2. Any other Arab Country may accede to this Convention upon compliance with the procedures therein prescribed. Such country, and such public and semi-public organization as may be nominated by it, shall thereupon acquire the status of a member of the Corporation based on subscribing to its capital and encumbering all obligations of membership.
3. If one organization or more, public or semi-public, belonging to a contracting country is vested with the membership, that country shall be deemed to be a guarantor of all the obligations of such public or semi-public organization vis-à-vis the Corporation.
- 3.(bis) The International Arab Organizations may, by a resolution of the Shareholders' Council, be admitted to this Convention upon compliance with the procedures hereinafter prescribed. Such admitted Organization shall hereupon acquire the status of a member of the Corporation on the same basis referred to in Paragraph 2 of this Article.
4. The liability of the member vis-à-vis the Corporation shall be limited pro-rata to its capital share. No member shall by reason of its membership be liable for the obligations of the Corporation towards third parties.

Article 8 – Capital

1. The Corporation shall have a variable capital of an initial amount of ten million Kuwaiti Dinars at the official par value at the time of signature of this Convention, divided into ten thousand registered shares of one thousand Kuwaiti Dinars each.
2. The minimum limit for a member's share shall be five percent of the amount of the initial Capital, i.e. equivalent to one-half million Kuwaiti Dinars, unless the Shareholders' Council decides to decrease this minimum for a particular member or members.
Where the status of a member is accorded to one or more public or semi-public organization belonging to one country, such minimum limit shall apply only to the organization which represents such country.

3. The contracting countries shall pay in Kuwaiti Dinars, or in any other convertible currency at the exchange rate set forth in Paragraph 1 of this Article, fifty percent of the value of the shares subscribed by them in five annual installments, the first of which shall for every member be payable within a period of three months from the date on which this Convention enters into force with respect to it. The other installments shall successively be due at the end of each of the years subsequent to the coming to an end of the period fixed for paying the first installment. All such installments shall be paid into an account opened in the name of the Corporation in accordance with what its Shareholders' Council decides at its first meeting.
4. The unpaid portion of the capital shall constitute an obligation of the members, each in the proportion of its unpaid share. Such obligation shall mature and become payable to such an extent as may be determined by the Shareholders' Council in every case where it is decided to increase the amount payable on account of the shares.
5. The members shall, immediately upon being notified of the Shareholders' Council's meeting in this respect, pay the amounts of capital which have been decided to be paid.
6. All calls made by the Shareholders' Council in pursuance of the provisions of Paragraph 4 of this Article shall be paid in Kuwaiti Dinars or in such other freely convertible currency at the exchange rate set forth in Paragraph 1 of this Article.

A member may, with a special approval of the Shareholders' Council in exceptional cases resulting from fundamental disequilibrium in its balance of payments, pay in its local currency a proportion of the amount called for payment not exceeding twenty-five percent of it. In this case, the country shall at the earliest opportunity permit the conversion of the amounts paid in this currency on the basis of the exchange rate at which it was paid. The Corporation shall have the right to utilize these funds in defraying its current expenditure in the said country or in paying whatever compensations become due for payment in this currency.

7. The capital of the Corporation shall be increased by the admission in accordance with Paragraph (2) of Article (7) of a new member or by the increase of the share of one or more of the members. The capital shall be decreased by the withdrawal of a member or by a resolution of the Shareholders' Council.
8. Any Contracting country may dispose of its entire share in favor of a public organization belonging to it or vice versa. Any member may, with the approval of the Shareholders' Council, dispose of its shares which are in excess of the minimum limit specified in Paragraph (2) of this Article in favor of another member.

Chapter III: Organization and Management

Article 9 – Organs of the Corporation

The Corporation shall have the following organs:

- a. The Shareholders' Council** which shall be composed of one representative for each member country of the Corporation. The Shareholders' Council shall act as the Corporation's General Assembly.
- b. The Board of Directors** which shall be composed of eight part-time members being citizens of the contracting countries, who shall be selected in pursuance of paragraph (2) Article (11) of the Convention.
- c. The Director-General** who shall be a national of a contracting country, and shall be elected by the Shareholders' Council from among candidates nominated by the members. The candidate should not be a Board member, and shall be elected for a term of five years, renewable for another term.
- d. Professional and Administrative Staff**, who shall be appointed by the Director- General in accordance with the provisions of Articles 12, 13, and 14 of this Convention. The Department heads shall be appointed by the Board of Directors pursuant to nominations submitted by the Director – General.

Article 10 – The Shareholders' Council (The general assembly)

1. The Shareholders' Council shall have all the powers necessary for the realization of the objectives of the Corporation, except such powers as are by the terms of this Convention conferred upon another organ of the Corporation.
2. The Shareholders' Council shall in particular have the following functions:
 - A. Formulation of the general policy of the Corporation.
 - B. Interpretation and amendment of the provisions of this Convention.
 - C. Reduction of the capital of the Corporation other than in the case of the withdrawal of a member.
 - D. Appointment of members of the Board of Directors and determination of their remunerations.
 - E. Appointment and termination of the services of the Director- General and determination of his salary and service terms.

- F. Approval of Corporation's balance sheet, its revenue and expenditure account and adoption of the annual reports following review of the reports of both the Board of Directors and the auditors.
 - G. Admission of new members to the Convention.
 - H. Determining of the consequences of suspension of, or withdrawal from, membership in accordance with the provisions of Chapter VII of this Convention.
 - I. Deciding upon the distribution of profits and the formation of reserves and provisions in accordance with the financial regulations of the Corporation.
 - J. Suspension of operations of the Corporation and its dissolution.
 - K. Appointment of the auditors and determination of their fees.
 - L. Delegation to the Board of Directors of some of the powers of the Shareholders' Council except those specified in this Paragraph.
3. Chairmanship of the Shareholders' Council sessions shall be held by rotation by the representatives of the member countries in accordance with the alphabetical order of the contracting countries.
 4. The Shareholders' Council shall hold at least one meeting every year upon the invitation of the Chairman of the Board of Directors accompanied by a draft agenda. In every session, the Shareholders' Council shall determine the place where the following session shall be held. The Council may meet whenever necessary either pursuant to its own resolution or upon a request to that effect by member countries representing at least one-third of total votes, or upon a request by the Board of Directors.
 5. The meeting of the Shareholders' Council shall be a quorum if attended by delegates representing three quarters of the total votes of the members. If this quorum is not available, the Board of Directors shall in the earliest possible opportunity call for a subsequent meeting for which two-thirds of the total votes shall be sufficient to be a quorum.
 6. Each member shall in voting in the Shareholders' Council have five hundred votes in respect of the minimum share limit in the capital added by one vote for every two shares it owns in excess of that minimum. The member shall not when voting split its votes. If the provisions of the minimum share limit in the capital do not

apply to the public or semi public organization, it shall, when voting, have one vote for every two shares it holds. The country and its public or semi public organizations shall not split their votes. In case of decreasing the minimum share limit in the capital with respect to a member, it shall, when voting in the Shareholders' Council, have corresponding to this decreased minimum share limit a number of votes calculated on the basis of one vote for every one thousands Kuwaiti Dinars.

7. Resolutions of the Shareholders' Council shall be taken by the simple majority of the votes of the participants. Except that resolutions regarding matters provided for in Paragraph (2) of this Article shall be taken by a special majority of two thirds of the total votes of the members of the Corporation (This majority shall hereinafter be referred as the special majority).
8. No member shall in any vote at a Shareholders' Council's meeting represent more than one other member and shall in this case be authorized by a written proxy.
9. The Shareholders' Council shall adopt its own rules of procedures for the conduct of its business, recording of its resolutions and the appointment of its secretariat. Such rules may establish procedures whereby the Council may, without holding a meeting, approve resolutions on matters referred to it by the Board of Directors, other than matters specified in Paragraph 2 of this Article.

Article 11 – The Board of Directors

Formation of the Board of Directors

1. The Corporation shall be managed by a Board of Directors which is constituted of nine part-time members, who shall elect from among themselves a part-time chairman to serve a three-year term.
2. The Board of Directors shall be elected in line with the rules and procedures set by the Shareholders' Council.
3. The Board of Directors shall convene at least once every three months, or whenever the need arises thereto. The meeting shall be held upon the Chairman's invitation at the Corporation's headquarters, or at any other venue as the Board so determines. However, the Board of Directors may be called for meeting upon the request filed by at least two of its members. The Board's meeting shall be valid in case the majority of its members attends the meeting.
4. In case the Chairman of the Board is absent from any session, the Board shall elect a Chairman for such a session from among its members.

5. The Board's resolutions shall be adopted by a majority of attending votes. Each member, including the Chairman, shall have one vote. In case of a tie vote, the Chairman shall have the casting vote.
6. The Board of Directors shall lay down the necessary bye-laws required for the conduct of its business, recording of its resolutions, and noting down the minutes of its sessions. In exceptional cases specified by the bye-laws, the Board of Directors may vote on draft resolutions via writing without the need for a meeting, provided that such resolutions are submitted to the first subsequent meeting of the Board.
7. The Board members shall continue to serve in their posts until such time when their successors are elected. If the post of any of them becomes vacant, the Shareholders' Council shall appoint a successor therefor for the remainder of his term. The successor shall be appointed in the same manner whereby his predecessor was appointed.

Article 12 – Powers of Board of Directors

1. The Board of Directors shall assume the powers entrusted in it by the Shareholders' Council with regard to the Corporation's management. In particular, the Board's powers shall include the following:
 - A. Pursuant to the proposal of the Director-General, adoption of the Corporation's financial and administrative rules and regulations, including the employees regulations.
 - B. Adoption of the Corporation's activities, programmes and plans submitted by the Director-General, in the light of the general policies adopted by the Shareholders' Council. The Board shall also follow-up their implementation and shall ascertain the conformity of the insurance operations with the adopted rules and regulations.
 - C. Specification of the ways in which the Corporation's funds are to be invested.
 - D. Approval of the Corporation's budget plan.
 - E. Submission to the Shareholders' Council of an annual report on the Corporation's activities, as well as preparation of all documentations needed for the Council's meeting.

- F. Appointment of the directors of the departments and determination of their salaries as per the Corporation's employees regulations and pursuant to the proposition of the Director-General.
 - G. Any other powers stipulated by this Convention .
2. The Board shall appoint the head of the internal auditing unit of the Corporation's accounts provided that he shall directly submit his reports to the Board of Directors.
 3. The Chairman and the members of the Board of Directors shall attend the Shareholders' Council's meetings and participate in its deliberations but shall have no right to vote.

Article 13 – The Director-General

1. The Director-General shall under the supervision of the Board of Directors be responsible for the management of the Corporation in conformity with the bye-laws, regulations and resolutions made by the Shareholders' Council and the Board of Directors. His functions shall include the following:
 - A. Conclusion of insurance contracts with the insured as well as other agreements pertaining to the activities of the Corporation.
 - B. Investment of the funds of the Corporation in pursuance of the provisions of Article 12-1-C hereof.
 - C. Preparation of the budget plan and the closing accounts and their submission to the Board of Directors.
 - D. Appointment, in observance of Article 12-1-F, of members of the professional and administrative staff and determination of their salaries in accordance with the regulations laid down by the Board of Directors.
 - E. Preparation of plans and programs of the Corporation's operations' activities and the research plans, in the light of the provisions of Paragraph 2 of Article 2 hereof and following up of their implementation thereof.
 - F. Prepare periodic plans for the promotion of the Corporation's activities.
 - G. Any other assignments entrusted to him by the Board of Directors.

2. The Director-General shall be the legal representative of the Corporation.
3. The Director-General shall attend the meetings of both the Shareholders' Council and the Board of Directors and shall participate in the deliberations thereof without having the right to vote.

Article 14 – The Professional and Administrative Staff

In appointing the directors of the departments and members of the professional and administrative staff, both the Board of Directors, and the Director-General, each within its own competence, shall give first priority to nationals of the contracting countries and then to nationals of other Arab states, provided that the persons employed shall possess educational qualifications, experience, competence and suitable qualities of character.

Chapter IV: Insurance Operations

Article 15 – Operations Eligible for Insurance

1. Investments eligible for insurance shall comprise all investments between the contracting countries and towards them, whether they are direct investments including enterprises and their branches or agencies, ownership of equity shares, real estate, warranty, licensing, franchising and intellectual property rights, portfolio investments including ownership of shares and bonds, and loans for a term exceeding three years as well as such shorter term loans as the Board may in exceptional cases decide to treat as eligible for insurance.
2. Pursuant to the procedures adopted by the Board and following the proposal of the Director General, the Corporation may:
 - a. provide insurance for foreign investments which are owned by nationals of non member states if those investments are in the member countries.
 - b. provide insurance for Arab nationals' investments in their Arab countries of nationality when the investments pertain to their funds which are repatriated from abroad.
3. In identifying investments for the purpose of the first Paragraph, the Corporation shall be assisted by the guidelines issued by the International Monetary Fund on the definition of long term assets and liabilities as regards the balance of payments statistics.
4. In appraising the eligibility of an investment for the purpose of insurance, no distinction shall be made between investments accruing out of monetary or non-monetary payment, or reinvestment of earnings accrued out of a previous investment.
5. Private investments and such other mixed and public investments operating on commercial bases shall be eligible for insurance.
6. The conclusion of insurance contracts shall be subject to the insured's obtaining the prior approval of the competent official authority in the host country for the making of the investment and for its insurance by the Corporation against the risks to be covered.

The approval shall be deemed to have been obtained if, within sixty days from the date of the approval application, the official authority has not communicated to the corporation the rejection thereof.

Article 15 (bis 1) – Export Credit Guarantee

1. Credit facilities, regardless of their duration, pertaining to export and import transactions among contracting countries or such transactions pertaining to export transactions originating from contracting countries and heading towards non-Arab countries, shall be eligible for insurance provided that such facilities are related to the export of services or primary materials produced by any of the contracting countries, or with goods manufactured partially or entirely by that country or have been assembled or processed therein, as long as the conclusion of these transactions yield an obvious economic value added to the said country.
2. Pursuant to procedures adopted by the Board of Directors upon the Director General's proposal, the Corporation may provide insurance for credit facilities related to import transactions of basic inputs for the arab industry, and strategic commodities of non-arab origin.
3. Credit facilities, regardless of their duration, pertaining to domestic trade in the contracting countries, shall be eligible for insurance, provided they involve services or raw materials produced in any of these countries, or goods manufactured wholly or partially by that country, or have been assembled or processed therein, as long as the conclusion of these transactions yield an obvious economic value added to the said country.
4. Insurance may cover commercial and/or the non-commercial risks enumerated in Article 18 and related to export credit. For the purposes of this provision, commercial risks shall mean risks attributable to the actions of the debtor such as failure to pay, insolvency, bankruptcy, rescission or termination of the contract. Insurance contracts shall specifically state, in each case, the risks covered.
5. Insurance covers the commercial risks stipulated in paragraph 4 above pertaining to credit facilities relates to domestic trade transactions of the contracting countries, and shall not cover the non- commercial risks stipulated in Article (18) related to such transactions. The insurance contracts shall specifically state, in each case, the risks covered.
6. The Board of Directors shall by a resolution fix the maximum amount of total cover which may be provided by the Corporation, the rules of its distribution among the contracting countries and the maximum sum insured in each case.
7. The premium rate shall be fixed, notwithstanding the provisions of Article 19, taking in consideration the probabilities of the realization of risk.
8. Provision of Paragraph (6) of Article (15) shall not be applicable to export credit guarantee operations. Nevertheless, the insured shall prove that the export/import transaction relating to the insurance contract has been made according to the legal conditions and rules in force in both the country of export and import.

Article 15 (bis 2) – Lease Guarantee

1. Leasing operations whether domestic, or among contracting countries, or emanating from the contracting countries to non-Arab countries, shall be deemed eligible for insurance even if they pertain to assets of non-Arab origin.
2. The provisions of Paragraph (6) of Article (15) shall not be applicable to leasing operations. Nevertheless, the insured must prove that the leasing operation relating to the insurance contract has been concluded in accordance with the legal conditions and rules in force at the time of its conclusion in the countries of the lessor and the lessee.
3.
 - A. The provisions of Paragraph 3 of Article 18 shall not be applicable to lease guarantee operations.
 - B. Insurance may cover commercial and/or the non-commercial risks enumerated in Article 18 and which are related to the lease guarantee. For the purposes of this provision, commercial risks shall mean risks attributable to action taken by the debtor such as failure to pay, insolvency, bankruptcy, rescission or termination of the contract. Insurance contracts shall specifically state, in each case, the covered risks.

Article 16 – Priorities

1. Subject to all operations being conducted on a sound basis and with the object of serving the interests of insured parties, the Corporation shall accord special priority to the following investments:
 - Investments which promote economic cooperation among the contracting countries and in particular joint Arab projects and other projects which promote Arab economic integration.
 - Investments proved to the Corporation to be effective in the development of the productive capacities of the economy of the host country.
 - Investments where the guarantee of the Corporation is considered to be an essential consideration in the decision to making thereof.
2. In determining the priorities specified in the preceding paragraph the Corporation may cooperate with the specialized organs in the contracting countries and with the concerned organs of the regional or international organizations.
3. Proposal by the Corporation of a particular investment or the accord of priority in pursuance of the preceding two paragraphs shall in no way be construed as entailing liability on the part of the Corporation for the commercial consequences arising from the execution or operation of such investment.

Article 17 – Nationality of the Insured

1. Without prejudice to the provisions of Articles 15, 15 (bis1) 15 (bis2) and in compliance with the rules set up by the Director-General, to be accepted a party to an insurance contract, the

insured must either be a natural person who is national of a contracting country, or a juridical person national of a contracting country, and whose main seat is located therein.

Nevertheless, a juridical person may, by a resolution of the Board of Directors, be accepted as a party to an insurance contract, even if his main seat is located in a non-contracting country, provided that such juridical person is owned by not less than fifty percent by one or more of the contracting countries or by their nationals or by the juridical persons who are, under the provisions of this paragraph, acceptable as party to the insurance contract.

2. All insurance contracts shall embody a provision enabling the Corporation to amend or rescind the contract or to take any other suitable measure in all cases where, after the date of the conclusion of the contract, any of the conditions set forth in the preceding paragraph ceases to obtain. But these conditions must be satisfied at the time any claim is made by the insured for any compensation due in respect of insured losses.
3. In the event the insured is a multi-national, it suffices that one of them is the nationality of a contracting country. However, should the insured be a national of more than one contracting country, including the host country, then the latter shall prevail.

Article 18 – The Non-Commercial Insurable Risks

1. The insurance provided by the Corporation covers all or some of the losses resulting from the realization of any one or more of the following non-commercial risks:
 - A. Measures taken by the public authorities in the host country, either directly or through an agency, whereby the insured is deprived of his substantial rights with respect to its investment, and in particular, confiscation, nationalization, sequestration, expropriation, compulsory seizure or any other creeping measures which, by the time, have the same effect, and prevention of a creditor from getting his rights repaid or from disposing of it, and postponement of repayment of a debt for unreasonable length.
 - B. Introduction by the public authorities in the host country, either directly or through an agency, of new measures which substantially restrict the ability of the insured to repatriate the principal of his investment or remit his earning therefrom or the investment amortization installments.

The above provision shall be construed to include a delay for an unreasonable period in approving the transfer, as well as the imposition by the public authorities at the time of transfer of a rate of exchange which is clearly discriminatory against the insured. The risk provided for in this paragraph shall not be deemed to include de facto existing procedures at the time of executing the insurance contract and shall not include general devaluation of currency or cases of exchange depreciation.

- C. Any breach by the public authorities in the host country of any contract concluded with the insured where (a) the insured is unable to resort to a judicial or arbitration tribunal to decide on the claim regarding the breach of the contract, (b) a decree or award by such a tribunal is not rendered within a reasonable period specified in the insurance contracts, or (c) it is not possible to enforce such a decree or award.

- D. Any military action emanating from a foreign source or from the host country which directly affects the tangible assets of the insured, or which causes business interruption of the insured investment project continuously for a period specified in the insurance contract, and all public civil disturbances such as revolutions, coups d'etat, insurrections and acts of violence of a public character and politically motivated acts of terrorism and sabotage having the same effect.
2. Insurance contracts shall specifically state the risks covered by the insurance in each case. In all cases, the insurance contract shall not cover losses arising from a measure taken by the public authorities in the host country which fulfills any of the following conditions:
- A. The measure can be covered by conventional insurance on reasonable terms.
 - B. The insured has expressly approved such measure or has been directly responsible for it.
 - C. The measure is one of the ordinary measures which a state takes for the purposes of regulating the economic activity in its territory and which do not discriminate against the insured covered by the insurance.
3. The Corporation shall in no case assume responsibility for the commercial risks that pertain to the insured's investment.

Article 19 – Premiums and Fees

1. The Director General shall determine in respect of each type of risk the rate of the annual premiums payable by insured, and also fees due for the Corporation's services.
In determining the level of such premiums, the Director General shall take into account the need for meeting the Corporation's administrative expenses and, as far as feasible, the need for accumulating the appropriate reserves.
2. The Corporation may enter into agreements with host countries whereby such countries may bear either wholly or in part the fees and premiums payable.

Article 20 – Limits of Insurance

1. The Board of Directors shall fix the maximum amount of the total cover which may be provided by the Corporation. This total cover shall not at any time exceed ten times the amount of the capital plus the reserves.
2. The Board of Directors shall pay due regard to the necessity of distributing the insurance operations among the various contracting countries.
3. The amount of insurance in respect of any single operation shall not exceed 10% of the total amount of the capital and the reserves. Such limit may be increased to 20% in case of investments having special priority in accordance with Paragraph (1) of Article 16 of this Convention.
4. The amount of compensation paid to the insured shall not exceed the amount of the loss sustained in consequence of the realization of the insured risk or the amount of insurance agreed upon in the insurance contract, whichever is the lesser.

Article 21 – Subrogation of the Corporation to the Rights of the Insured Party

1. The Corporation shall, upon paying or agreeing to pay compensation to the insured for any insured loss, be subrogated to the rights which the insured may have in relation to the insured investment or to which it may become entitled in consequence of the occurrence of the loss.
2. The insurance contracts shall specify in detail the limits within which the Corporation shall be subrogated to the rights of the insured after its approval to compensate the loss covered by the insurance.
3. By virtue of such subrogation, the host countries shall as soon as possible discharge to the Corporation their obligations towards the insured and shall in addition, if so required by the Corporation, afford it all appropriate facilities to benefit from the rights acquired by reason of such subrogation. Failing this, the Corporation shall from the date of subrogation be entitled against the authorities of the host country to moratory interest on the amounts to which it has been subrogated to. Such interest shall be calculated on the basis of the prevailing rates on commercial loans granted by banks in the said country.

Chapter V: Financial Provisions

Article 22 – Financial Management

1. The Corporation shall carry out its activities with due regard to maintaining a sound financial position in accordance with established business practices.
2. The fiscal year shall commence on the first day of January and end on the thirty-first day of December of each year. In exception thereof, the first fiscal year shall commence on the date of the entry into force of this Convention.

Article 23 – The Accounts

1. The Board of Directors shall, not later than the thirty -first day of March of each year, submit the Corporation's annual a balance sheet showing the assets and liabilities of the Corporation as at the end of the fiscal year, together with the profit and loss account for the year.
2. The accounts of the Corporation shall be certified by one or more auditors practicing in the contracting countries and appointed annually by the Shareholders' Council. The remuneration payable to the auditors shall be fixed by the Council.
3. Prior to the date specified in Paragraph (1) of this Article, the auditors shall submit to the Shareholders' Council a report stating their observations on the financial position and the annual accounts of the Corporation. The report shall be transmitted to Board of Directors as a preview to submitting it to the Shareholders' Council and shall also be conveyed to the Director-General.

Article 24 – Profits and Reserves

1. The Corporation shall accumulate the profits realized from its operations after deduction of the provisions to form a reserve until its value reaches three times its capital.
2. After the reserve has reached the level prescribed in the preceding paragraph, the Council shall decide the manner of utilization or distribution of the realized annual profits provided that no more than 10% of such profits shall be distributed pro rata to each member's share in the Corporation's capital.
3. The Shareholders' Council shall, on the recommendation of the Board of Directors, specify the currency or currencies by which profits shall be distributed to each member.
4. The Shareholders' Council may, upon the recommendation of the Board of Directors, decide to capitalize part of the reserve, in which event the resultant capital increase shall be distributed among the members pro-rata to their equity shareholding at the time of such distribution.

Chapter VI: Immunities and Exemptions

Article 25 – The Assets of the Corporation

1. The assets of the Corporation in the contracting countries shall be immune from nationalization and shall not be subject to confiscation, expropriation, sequestration, or seizure except in execution of a final judgment given by a competent judicial authority.
2. Without prejudice to the provisions of paragraph 6 of Article 8, assets, profits and financial operations of the Corporation shall not be subject to the currency exchange controls.
3. The provisions of the Paragraph 2 shall not apply to funds acquired by the Corporation by virtue of subrogation to the rights of the insured pursuant to the provisions of Article 21 if such assets were originally subject to the currency exchange controls.

Article 26 – Taxes

The assets of the Corporation, its revenues and its operations which are authorized by this Convention shall be immune from all taxes and duties in all contracting countries. The only exception is fees paid in consideration of a specific service rendered to the Corporation by a public utility. The issue and circulation of the shares of the Corporation shall be immune from all taxes and duties.

Article 27 – Documents and Correspondence

The contracting countries shall accord the documents and correspondence of the Corporation the same treatment that is accorded to official documents and correspondence of each of them by the others.

Article 28 – The Employees of the Corporation

1. The members of the Shareholders' Council and the Board of Directors and the Corporation's employees shall, within the following limits, enjoy immunities and exemptions which are accorded in the member countries to the representatives of each of them to the other.
 - a. Immunity from any legal or administrative proceedings with respect to acts performed by them in their official capacity.
 - b. Exemption from immigration restrictions and the residence proceedings applicable to aliens.
 - c. Travelling facilities.
 - d. Exemption from tax on salaries or remunerations received from the Corporation.
2. Nothing in this Article shall oblige any of the contracting countries to accord any of the aforementioned immunities or exemptions to any of its nationals.

Article 29 – Additional Privileges

The Corporation may conclude with the country in which it has its seat or with any other country, agreements whereby immunities and exemptions other than those set forth in this Chapter are accorded to the Corporation or to any of its employees.

Chapter VII: Withdrawal and Suspension of Membership

Article 30 – Withdrawal

1. Any member may withdraw from this Convention after the lapse of five years from the date of the entry into force of its membership. The withdrawal shall be effected by a written notice addressed to the Corporation at its headquarters. The withdrawal shall not become effective until after the expiry of three months from the date of such notice during which the member may revoke the notice.
2. The withdrawal shall have the effect of terminating the membership in the Corporation.
3. The termination of membership shall have no effect on the existing or contingent liabilities of such a member towards the Corporation in respect of the operations concluded prior to membership termination.
4. For every terminated membership, the Corporation shall open a special account in which it enters the financial rights and obligations of the member. The account shall not be liquidated except after satisfaction of the obligations referred to in the preceding paragraph and after settling the rights of the member concerned.
5. The Corporation shall enter into a special agreement with the member for the settlement of its positions in the Corporation and for the modalities for meeting its liabilities consequent upon the termination of its membership.

Article 31 – Suspension of Membership

1. The Shareholders' Council shall upon the breach of a member of its obligations arising out of its membership, issue, with the special majority and upon the recommendation of the Board of Directors, a resolution Suspending this member from exercising its rights in the Corporation. The member shall remain during the suspension period responsible for its obligations.
2. Suspension of membership shall entail abstention by the Corporation from concluding new operations in respect of investments exported from or imported to the territory of the stopped member.
3. Unless the Shareholders' Council takes a resolution revoking the Suspension, the suspended member shall cease after one year from the date of its Suspension. The provisions of paragraphs 3, 4 and 5 of the preceding Article shall apply to the member whose membership has ceased in pursuance of this provision.

Chapter VIII: Suspension of Operations and Dissolution

Article 32 – Suspension of Operations

1. The Shareholders' Council may, whenever it deems it justified, the issuance of new insurance contracts for a specified period.
2. In exceptional emergency situations, the Shareholders' Council may by the special majority issue a resolution suspending the operations of the Corporation for a period not exceeding the duration of such emergency, provided that necessary measures shall be made for the protection of the interests of the Corporation and of third parties.
3. The decision to suspend the operations shall have no effect on the obligations of the members towards the Corporation or on the obligations of the Corporation towards the insured or towards third parties.

Article 33 – Dissolution

1. The Shareholders' Council may by a special majority and after giving the members a notice of not less than four months, take a reasoned resolution for the dissolution and liquidation of the Corporation. The Shareholders' Council shall undertake the liquidation proceedings either by itself or through liquidators appointed by it for that purpose by a resolution to be taken by the same special majority.
2. The Shareholders' Council shall in the same meeting in which the resolution of dissolution is taken determine the necessary measures for the protection of the rights of insurance policies holders as well as the rights of third parties.
3. The Shareholders' Council shall by a special majority and after due provision having been made for the discharge of the existing and contingent liabilities of the Corporation, determine the position on the basis of which its net assets shall be distributed among the members in proportion to their capital equity share.

Chapter IX: Settlement of Disputes

Article 34 – Dispute Concerning the Interpretation and Application of the Convention

1. The Shareholders' Council shall be the final arbiter in respect of disputes arising among the contracting countries or among the members or between them and the Corporation concerning the interpretation or the application of the provisions of this Convention.
2. Disputes specified in the preceding paragraph and arising after the cessation of the Corporation's operations, or have been between the Corporation and a country that has withdrawn from the Convention or a member that has lost its membership, shall be settled in accordance with the procedures set out in the annex to this Convention, unless the parties have agreed on a different means for the settlement of the dispute.

Article 35 – Disputes Concerning Insured Investments

1. Without prejudice to the jurisdiction of the Shareholders' Council with regard to the interpretation and application of the provisions of this Convention and to its competence to determine matters comprised by such jurisdiction, any dispute between any of the contracting countries or the members on the one part and the Corporation on the other part concerning an investment insured in pursuance of this Convention or concerning any other matter shall be settled in accordance with the procedures set out in the Annex hereto.
2. Any dispute between a country that has withdrawn from the Convention or a member that has lost its membership and between the Corporation concerning an investment insured in pursuance of this Convention shall be settled in accordance with the procedures set out in the Annex hereto, without being bound by the jurisdiction of the Shareholders' Council over the interpretation and the application of the provisions of the Convention.

Article 36 – Disputes Concerning Insurance Contracts

Insurance contracts shall stipulate the method of settlement of disputes that may arise between the Corporation and the insured.

Article 37 – Disputes with Third Parties

Except for the disputes specified in the preceding articles, all other disputes between the Corporation and third parties shall be subject to the jurisdiction of the competent judicial authority in the contracting countries.

Chapter X: Miscellaneous Provisions

Article 38 – Amendment of the Convention

1. The Shareholders' Council may by a special majority, and upon a proposal emanating from a member, the Board of Directors or the Director-General, amend the provisions of this Convention.
2. The proposal for amendment shall not be considered by the Council except after the lapse of at least four months from the date of communicating the said proposal to the members.
3. The amendment which comprises the increase of the share of a member in the capital of the Corporation shall have no effect except with the express approval thereto of the member concerned.

Article 39 – Prohibition of Political Activity

Without prejudice to the right of the Corporation to take into consideration all the circumstances surrounding the investment required to be insured, the Corporation and all its employees shall in no way interfere in the political affairs of the contracting countries.

Article 40 – International Character of the Staff

All the Corporation's employees shall not undertake any act inconsistent with the international character of their functions and their independence from any authority beyond the Corporation. Governments of contracting countries shall refrain from directly or indirectly influencing them in the discharge of their functions.

Article 41 – Agreements for Treatment of Investments

The Corporation shall seek to enter into agreements with the contracting countries relating to the principles or rules for the treatment of the insured investments in the territory of each of them and shall encourage conclusion of such agreements among these countries.

Article 42 – Cooperation with other Organizations

1. The Corporation shall, within the limits of its activities as set forth in this Convention, cooperate with the public and private, arab and non-arab and national or international institutions and organizations which are engaged in the fields of development, finance and insurance. The Corporation shall conclude the agreements which are capable of serving its objectives and supporting this cooperation..

2. The Corporation may entrust to governmental entities in the contracting countries the performance of some of the measures which are related to its operations.

Article 43 – Confidentiality

All the Corporation's employees shall observe the confidentiality of information and data obtained by them in the course of the discharge of their duties.

Article 44 – Channel of Communications

Each of the contracting countries shall designate the official authority with which the Corporation shall communicate in connection with all facilities or measures it needs. All information provided by such authority shall be deemed to have been provided by the country concerned.

Chapter XI: Final Provisions

Article 45 – Deposit and Ratification

The original copy of this Convention shall be deposited at the Ministry of Foreign Affairs of the State of Kuwait, which shall receive the instruments of ratification thereof, and communicate them to all the signatory countries, the General Secretariat of the Arab League and to the Kuwait Fund for Arab Economic Development.

Article 46 – Entry into Force

This Convention shall enter into force when it has been ratified by at least five countries whose total subscriptions amount to not less than 60% of the Corporation's capital.

It shall enter into force with respect to other original and adhering countries from the date of joining or the deposit by such countries of the instrument of ratification thereof.

Article 47 – Inaugural Meeting of the Shareholders' Council

Upon entry into force of this Convention, the Director-General of the Kuwait Fund for Arab Economic Development shall call for the inaugural meeting of the Shareholders' Council. The said meeting shall be held at the seat of the Corporation during the month following that in which this Convention has entered into force.

Annex (1): Settlement of Disputes

Article 1 – Application of the Annex

All disputes within the provisions of Articles 34/2 and 35 of this Convention shall be settled exclusively in accordance with the procedures laid down in this Annex.

The Annex shall form an integral part of the Convention and shall not be open to any reservations.

Article 2 – Negotiations

In the event of any dispute covered by Articles 34/2 and 35 of this Convention, the parties concerned shall attempt to settle such dispute by negotiations, and no recourse shall be made to conciliation or arbitration except after exhaustion of the procedure of settlement by negotiations. Such negotiations shall be deemed to have been exhausted if the parties concerned fail to reach a settlement within a period of six months from the date of the request by any of the parties to enter into such negotiations.

Article 3 – Conciliation

1. If the dispute is not resolved through negotiations, the parties concerned may by mutual agreement attempt settlement through conciliation. If no such agreement is reached, recourse shall be made to arbitration in accordance with the provisions of the subsequent Article.
2. The agreement for recourse to conciliation shall specify the matter in dispute and the claims of the parties in respect thereof. It shall also specify the name of the conciliator chosen by the parties together with his agreed remuneration. The parties may request the Secretary-General of the Arab League to appoint such as conciliator.
3. The task of the conciliator shall be restricted to seeking a compromise between the different views with regard to the dispute. In this context, he may forward proposals which would ensure a mutually accepted solution by the parties. It shall be the duty of the parties to provide the conciliator with all information and documents which would help him in the discharge of his task. The parties shall not be entitled to arbitration proceedings except after the conciliator has concluded his work within the period fixed therefor.
4. The conciliator shall, within a period not exceeding six months from the date of commencement of his mission, submit up a report recording the result of his efforts and setting out the issues between the parties, his proposals for their settlement and specifying which solutions have been accepted by the parties.

The said report shall not be admissible in evidence before the Arbitral Tribunal to which the dispute may be referred subsequently.

Each party to the dispute shall express his views on the said report and shall communicate such views to the other parties within a period not exceeding one month from the date of issue of the report.

5. If the conciliator is unable to make his report within the specified period, or if the parties have not accepted the proposals contained in the report, the dispute shall be settled by arbitration in accordance with the provisions of the subsequent Article.

Article 4 – Arbitration

1. Arbitration Procedures

- a. Arbitration proceedings shall be instituted by means of a notice by the party requesting arbitration addressed to the other party or parties to the dispute.
The notice shall specify the nature of the dispute, the relief sought and name of the arbitrator appointed by the said party.
The other party shall, within a period of thirty days from the date of giving the said notice, notify the party seeking arbitration of the name of the arbitrator appointed by such other party.
The two arbitrators shall, within a period of thirty days from the date appointment of the last of them, select an umpire, who shall act as Chairman of the Arbitral Tribunal. In case of equal division in the Tribunal the umpire shall have a casting vote.
- b. Should the other party fail to appoint an arbitrator within thirty days after the date of giving the notice, or should the arbitrators, within sixty days from the said date, fail to agree on the appointment of the umpire, the Arbitral Tribunal shall be composed of a sole arbitrator or of an uneven number of arbitrators including the umpire to be appointed at the request of any party to the dispute by the president of the Arab Court of Justice. Until such Court is constituted the request shall be directed to the Secretary General of the Arab League.
- c. No party to the dispute shall, after commencement of the hearing of the dispute, have the right to change the arbitrator appointed by him.
In case the arbitrator shall resign, die or become incapacitated, a successor arbitrator shall be appointed in his stead through the same procedure whereby the original arbitrator was appointed. The successor arbitrator shall have all the powers and duties of the original arbitrator.
- d. The Arbitral Tribunal shall hold its first session at such time and place as shall be determined by the umpire. Thereafter, the Arbitral Tribunal shall decide the place and time of its sittings.
- e. The Arbitral Tribunal shall decide all questions relating to its competence and determine its rules of procedure.
- f. If in the course of hearing by the Arbitral Tribunal of any of the disputes set forth in Article 35/1 of this Convention an objection is raised to the effect that the said dispute falls within the jurisdiction of the Shareholders' Council in accordance with Article 34/1 of the Convention, and the Arbitral Tribunal is satisfied that the objection is genuine, then the matter shall be referred to the Shareholders' Council and the arbitration proceedings shall stand adjourned until a resolution in this regard has been issued by the Shareholders' Council. The decision of the Council on the nature of the dispute shall be binding upon the Arbitral Tribunal.
- g. The Arbitration Tribunal shall afford to all the parties just opportunity to produce their pleadings and to make their statements. All decisions of the Tribunal shall be adopted by a majority vote and shall state the reasons on which they are based. The award of the Tribunal shall be signed by at least the majority of the members and a copy thereof shall be delivered to each of the parties.

The award of the Tribunal shall be final and binding upon the parties and shall be executed immediately after it has been rendered, unless the Tribunal has specified an interval for its execution or the execution of any part thereof. The arbitration award shall not be subject to appeal or revision.

- h. The parties shall agree on the amount of fees payable to the arbitrators. If no agreement is reached before the Tribunal commences its sittings, the Tribunal shall determine an amount that is reasonable under the circumstances. The Tribunal shall also fix the remuneration of other persons employed to perform work connected with the arbitration proceeding. Each party shall defray its own costs in the arbitration proceedings but the costs of the Arbitral Tribunal shall be borne by the parties in equal proportions. The Tribunal shall determine any issue concerning the division of the costs of the Arbitral Tribunal or the procedure for payment of such costs.
- i. Any notice or process directed by one of the parties to the other in connection with the settlement of the aforementioned disputes or with execution of the arbitration awards shall be in writing.

The application shall be deemed to have been made, and the notice to have been legally served, upon delivery thereof, in respect of the contracting countries to the authority designated by the country in pursuance of Article 44 hereof, and in respect of the Corporation and the members from the public organizations at their principal offices.

The parties shall by virtue of this Convention waive all other conditions concerning the service of any such notice or process.

2. The Substantive Rules

In its application of the provisions of this Convention, the regulations of the Corporation, the other resolutions of its Shareholders' Council or Board of Directors and other contractual rules relied upon by the parties to the dispute, the Arbitration Tribunal shall abide by the legal sources set out in Article 6 of this Convention.

Subject to the agreement of the parties to the dispute, the Tribunal may decide on the dispute in accordance with the principles of justice and equity.

In no event shall the Tribunal refrain from giving judgment in the dispute on the ground of deficiency or ambiguity of the applicable law.

3. Interpretation of the Award

Any dispute arising out of the interpretation of the award of the Arbitral Tribunal on any specific issue shall be submitted to the Tribunal by which the award has been made within three months from the date of the rendering of the award.

Such reference shall be made upon an application to the umpire by a party to the original dispute. The umpire shall thereupon call for a meeting of the same tribunal with its same constitution to be held within a period of two months from the date of the application. If the tribunal cannot in this way be convened, a new tribunal shall be formed in accordance with the procedure laid down in Paragraph 1 of this Article.

In such cases the Tribunal may halt the execution of the previous award until the new application has been decided upon.