December 6, 2013

Mr. Harald Waiglein  
Director General  
Federal Ministry of Finance  
Johannesgasse 5  
1010 Vienna, Austria

Trust Fund Administration Agreement between the Republic of Austria, represented by the Federal Ministry of Finance, and the International Bank for Reconstruction and Development concerning the Vienna Center for Financial Sector Advisory Services Single-Donor Trust Fund (TF071659)

Dear Mr. Waiglein:

We refer to the Administration Agreement signed by the International Bank for Reconstruction ("IBRD" or the "Bank") and the Republic of Austria represented by the Federal Ministry of Finance (the "Donor") dated April 28, 2011, as amended, under which the Donor made available as a grant the sum of Five Million One Hundred and Seventy Seven Thousand Two Hundred Euro (EUR 5,177,200) (the "Contribution") for the Vienna Center for Financial Sector Advisory Services Trust Fund (the "Trust Fund") in accordance with the terms of that Administration Agreement.

We also refer to the exchanges of communication and meetings, as well as the FinSAC Programme 2nd Phase 2014-2017 Document prepared by the Bank on November 2013 for the second phase of the activities to be carried out under the Trust Fund between the Bank and the Donor in which it was mutually agreed to increase the amount of the grant, extend the closing date and include additional activities to be carried out by the Vienna Center for Financial Sector Advisory Services (FinSAC).

Accordingly, we are pleased to inform you that the Administration Agreement is hereby amended as follows:

1. Section 1 of the Administration Agreement is modified to add an additional 8,000,000 euro contribution to the existing 5,177,200 euro contribution under the original agreement and shall read as follows:

"1. We are pleased to acknowledge on behalf of the International Bank for Reconstruction and Development ("IBRD" or the "Bank") that the Republic of Austria represented by the Federal Ministry of Finance (the "Donor") shall make available as a grant the sum of Thirteen Million One Hundred and Seventy Seven Thousand Two Hundred Euro (EUR 13,177,200) (the "Contribution") for the Vienna Center for Financial Sector Advisory Services Trust Fund (the "Trust Fund") in accordance with the terms of this Agreement."

2. Section 4 of the Administration Agreement is modified to add additional installments under paragraph (e), (f), (g) and (h) which read as follows:

RCA : 48423. EJ WUI 64145 FJ FAX (202) 477-6391
"(e) on or before March 30, 2014 and following submission of a payment request by the Bank two million five hundred thousand Euro (EUR 2,500,000).

(f) on or before March 30, 2015 and following submission of a payment request by the Bank two million five hundred thousand Euro (EUR 2,500,000).

(g) on or before May 30, 2016, and following submission of a payment request by the Bank two million five hundred thousand Euro (EUR 2,500,000).

(h) on or before March 30, 2017, and following submission of a payment request by the Bank two million five hundred thousand Euro (EUR 500,000)."

3. Section 10.1 of the Administration Agreement is modified to read as follows:

"10.1. It is expected that the Contributions will be fully disbursed by the Bank by October 31, 2018. The Bank shall only disburse Contributions for the purposes of this Agreement after such date with the written approval of the Donor.

4. ANNEX I entitled, "Description of Activities and Expenditures and Governance Arrangements for the Vienna Center for Financial Sector Advisory Services Trust Fund", under the heading "A. Description of Activities" is modified to read as follows.

"A. Description of Activities

The Trust Fund will finance the following Bank-executed activities, namely, the establishment of the Vienna Center for Financial Sector Advisory Services (FinSAC) and the implementation of the Program (as defined below).

The Vienna Center for Financial Sector Advisory Services will provide advisory and analytical services on policy, technical, capacity building and institution building issues in the financial services sector to the financial authorities in World Bank member countries in the Europe and Central Asia region (hereinafter the "Program").

In a first phase (2011-2013) the Vienna Center for Financial Sector Advisory Services will provide the following advisory and analytical services in relation to:

(a) Macro-prudential supervision, crisis management frameworks, contingency planning;
(b) Systemic risk monitoring and assessment;
(c) Micro prudential issues related to Basel III;
(d) Design and implementation of institutional framework for supervision, including systemic regulator or integrated supervisor;
(e) Home/host supervision issues;
(f) Resolution framework and mechanisms for managing illiquid or insolvent banks;
(g) Stress-testing model design and implementation; crisis simulation tools and exercises;
(h) Financial consumer protection, financial literacy, and business conduct supervision;
(i) Corporate governance, transparency, disclosure, risk management, and financial reporting;
(j) Application of latest accounting standards, especially on changes to International Financial Reporting Standards, on loan-loss accounting and provisioning, including issues related to incurred versus expected loss and fair value models; and
(k) Oversight of risks in payment and securities settlement systems.
In a second phase (2014-2017) FinSA C will provide the following advisory and analytical services in relation to four strategic thematic choices through three distinct channels: (a) undertaking of client-specific technical assistance assignments; (b) organization of technical workshops, conferences and seminars, and (c) execution of regional research projects with corresponding outreach activities:

- **Pillar I--Financial Stability, Crisis Prevention and Macro-prudential Frameworks:** Promote development of institutional capacity to monitor and manage systemic risk, leading to systemic risk assessments, stress tests, and macro-prudential supervision response.

- **Pillar II--Micro-prudential Regulatory and Supervisory Frameworks:** Provide assistance in modifying banking sector legislation, regulatory standards and supervisory frameworks and practices, in helping implement Basel III and CRD IV/CRR, and in putting in place more robust micro-prudential measures including effective home-host supervision, non-performing loans (NPLs) workout, regulatory capital requirements, and institutional structures.

- **Pillar III--Bank Recovery and Resolution:** Provide support to strengthen crisis management frameworks, bank recovery and resolution frameworks, including enforcement, corrective action plans, Recovery and Resolution Plans (RRPs) for systemically important financial institutions (SIFIs), incorporating modern tools to deal with struggling institutions (bridge bank, purchase and assumption agreements, "bad bank", etc.), enhance deposit insurance schemes, emergency liquidity assistance/lender of last resort frameworks.

- **Pillar IV--Consumer Protection and Financial Literacy:** Provide support to improve market conduct regimes for financial institutions, build a consumer protection and financial literacy framework, and strengthen corporate governance, truth-in-lending practices, transparency, accounting standards, and payment systems.

In accordance with the annual work plan to be prepared by the Bank under Part C on Governance in Annex I of the Agreement, it is envisaged that FinSAC should be able to engage in eight client assignments (which will be ongoing or completed), and deliver four technical conferences/seminars and regional research projects, across the four thematic pillars every year for the period 2014-2017.

5. **ANNEX 1 entitled, “Description of Activities and Expenditures and Governance Arrangements for the Vienna Center for Financial Sector Advisory Services Trust Fund”, under the heading “C. Governance” is modified to read as follows.**

**C. GOVERNANCE**

The Bank will manage and administer the Program through the Vienna Center for Financial Sector Advisory Services (FinSAC). FinSAC will: (a) coordinate the activities under Program and administer the Trust Fund; and (b) implement the Program at the regional level in support of financial sector development at the country level. FinSAC will be headed by a Program Coordinator reporting to a World Bank Sector Manager.

The Bank shall prepare, review and approve the annual work plan and budget for both the Program and the Trust Fund. The Bank will carry out annual discussions with the Donor on the
thematic and geographical focus of the Program, the annual work plan as well as on the progress on the achieved results. During these discussions, the Bank will update the Donor on the implementation progress and provide the Donor with a list of the activities approved for financing under the Program, as well as a list of the proposals screened by the Bank in selecting the activities for funding. The Bank shall also submit a cost estimate of each ongoing FinSAC activity during these discussions.

A mid-term review will take place no later than March 30, 2016 jointly by FinSAC and the Donor under terms of reference agreed by the parties.

All other terms and conditions of the Administration Agreement, as amended hereby, shall remain in full force and effect.

Please confirm your agreement to the foregoing amendment by countersigning, dating and returning to us the attached copy of this Amendment Letter.

This amendment will take effect upon receipt by the Bank of the countersigned Amendment Letter.

Yours Sincerely,

INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT

By: [Signature]

Gerardo Corrochano
Director,
Financial & Private Sector Development
Europe and Central Asia Region

AGREED:

FEDERAL MINISTRY OF FINANCE

By: [Signature]

Name: Harald Waiglein
Title: Director General
Date: 6/2/2013