

February 11, 2013

**Comments from Canada on Proposal Related to the Use of Local Currency Loans  
Under the SCF Trust Fund**

Dear Patricia,

Thank you for providing clarification regarding the proposal related to the use of local currency loans under the SCF Trust Fund, as well as the opportunity to provide comments following the clarification. As a member of the SCF Committee, we support the interim approach taken regarding local currency loans in the SCF, though leave the approval of the specific SREP projects to the members of the SREP Sub-Committee.

In supporting the proposed approach, and for greater clarity, we would note that any currency losses/gains in the SCF should be borne by the Sub-Fund from which the local currency non-grant financing is provided, both in the interim and once the ERM Framework is in place. For example, a local currency loan to a PPCR project would impact contributors to that Sub-Fund, and not those to the SREP or FIP. Thus while all SCF contributions are co-mingled, they are administered by the Trustee in accordance with the terms of the Contribution Agreement, and this alignment of resources and risk-bearing at the Sub-Fund level is consistent with the Contribution Arrangement. Our SCF-PPCR Arrangement sets out that our contribution "will be specifically allocated in whole" to the PPCR and, in accordance with Paragraph 13.1 and 13.2 of the Standard Provisions Applicable to the SCF, "pro-rata shares will be calculated based on the amount of the Contributor's Contribution paid to the relevant Sub-Account".

We look forward to reviewing the local currency financing limits by Sub-Fund, to be proposed by the Trustee, that will be carried out under the ERM Framework in development.

Kind regards,

Michelle Kaminski

Gestionnaire | Manager

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