

CLIMATE INVESTMENT FUNDS

October 4, 2019

PAYMENT DEFAULT REPORTING PROVISIONS FOR CTF AND SCF

Background

During the June 2019 CTF/SCF Trust Fund Committee/Subcommittee meetings, members requested that the CIFAU draft a paper documenting the requirements for reporting payment defaults.

Provisions for reporting of payment defaults are codified for the:

- MDBs reporting to the Trustee, CIFAU Senior Risk Management Officer, CTF Trust Fund Committee and contributors¹; and
- Trustee reporting to the CTF Trust Fund Committee.

The CIFAU will continue to work with the MDBs to finalize a more comprehensive bilateral information sharing agreement, however, presently payment default reporting provisions are codified in the following documents.

- I. [Six Financial Procedures Agreements \(FPA\) between the MDBs and Trustee](#)
- II. [CTF Financing Products, Terms and Review Procedures for Public Sector Operations](#)
- III. [CTF Financing Products, Terms and Review Procedures for Private Sector Operations](#)
- IV. [Summary of the Co-Chairs Joint Meeting of the CTF and SCF Trust Fund Committees, November 9, 2015](#)

The following sections of these documents codify the payment default reporting provisions.

FPA – Payment Default Reporting Requirements

The following payment default reporting provisions are codified in Annex Q, paragraphs 4-6 of the FPAs for the CTF. The FPAs for SCF do not contain any such provisions.

“4. If any borrower of a CTF loan defaults on any payment on the CTF loan for no less than 30 consecutive calendar days, the MDB will report such default to the Trustee, so that the Trustee may report to the Trust Fund Committee, as agreed between the Trustee and the Trust Fund Committee.

5. If the borrower or the guarantor of a CTF loan remains in default on any payment on the CTF loan following cancellation of the CTF loan by the MDB and a call of the guarantee or security, if any, by the MDB in accordance with paragraphs 2(a) and (d), the MDB will promptly (a) consult the Trust Fund Committee and all relevant contributors to the Trust Fund on the proposed course of action in respect of the CTF loan, and (b) seek agreement with the relevant contributors on the course of action to be taken ...

6. A prior approval by the contributors for allocation of resources will not be needed for any reasonable costs incurred by the MDB in good faith when immediate or urgent action was needed to protect, defend or secure the CTF loan ...”

¹ The CIFAU facilitates payment default reporting between the MDBs, and Trust Fund Committee and contributors.

CTF Financing Products, Terms and Review Procedures for *Public* Sector Operations – Payment Default Reporting Requirements

Payment default reporting provisions are codified in Annex A, paragraphs 3-5, and are identical to those in the FPAs (see previous section).

CTF Financing Products, Terms and Review Procedures for *Private* Sector Operations – Payment Default Reporting Requirements

The following payment default reporting provisions are codified in paragraphs 38-40.

“38. If there is a payment default by an MDB client, under a CTF investment that continues for 30 calendar days or more, the MDB will promptly report such default to the Trustee, so that the Trustee may promptly report to the Trust Fund Committee. MDBs will consult with the Trust Fund Committee on any anticipated sales which would result in a negative return to the CTF once such losses can reasonably be anticipated.

39 Once a course of action has been determined by the MDB, but in any event within 90 calendar days following a default, the MDB will (a) inform the Trust Fund Committee of its proposed course of action (confidentially), and (b) consult with the contributors on the proposal ...

40. However, prior consultation with the Trust Fund Committee will not have been needed (i) for any actions commenced by the MDB and (ii) for allocation of resources for any costs incurred in connection with those actions, where the MDB commenced its actions (reasonably and in good faith) either (a) prior to any consultation referred to in paragraph 39 above or (b) during or after any such consultation where the MDB considers that swift action is required, in each case, to protect, defend or secure the CTF investment. In such cases the MDBs will inform the Trust Fund Committee prior to taking such actions on a confidential basis as knowledge of such information by the counterparty could undermine the effectiveness of the MDB’s actions.”

Summary of the Co-Chairs Joint Meeting of the CTF and SCF Trust Fund Committees, November 9, 2015 – Payment Default Reporting Requirements

Paragraph 8 iv of the Summary of the Co-Chairs Joint Meeting of the CTF and SCF Trust Fund Committees, November 9, 2015, states that, “The joint meeting, having reviewed document CTF-SCF/TFC.15/6, Risk Report of the CTF and SCF, dated October 30, 2015, agrees that the Sr. Risk Management Officer must be formally included as a mandatory recipient of information pertaining to the occurrence and details of non-payment events.”

This is the only codified default reporting provision which is applicable to SCF as well as CTF.