

Subcommittee on National Security, Emerging Threats,
and International Relations,
Committee on Government Reform

Tuesday, October 5, 2004, 11:00 a.m.

BNP Paribas Documents

**AGREEMENT FOR BANKING SERVICES
PURSUANT TO SECURITY COUNCIL RESOLUTION 986 (1995)**

AGREEMENT, dated as of 12 September, 1996 between THE UNITED NATIONS, an international intergovernmental organization having its Headquarters at New York, New York 10017 (hereinafter referred to as the "United Nations") and BANQUE NATIONALE DE PARIS S.A., a French banking corporation licensed by the State of New York, having offices at 499 Park Avenue, New York, New York 10022 (hereinafter referred to as the "Bank"). The United Nations and the Bank are hereinafter collectively referred to as the "Parties" and individually as a "Party".

WHEREAS, the Security Council of the United Nations, in its resolution 986 (1995) of 14 April 1995 (hereinafter referred to as "SCR 986"), authorized States, notwithstanding previous resolutions of the Security Council, to permit the import of petroleum and petroleum products originating in Iraq, including financial and other essential transactions directly relating thereto, subject to the provisions of SCR 986;

WHEREAS, in SCR 986, the Security Council requested the Secretary-General to establish an account for the purposes of SCR 986, and further required that payment of the full amount of each purchase of Iraqi petroleum and petroleum products be made directly by the purchaser in the State concerned into such account;

WHEREAS, pursuant to SCR 986, proceeds of the sale of Iraqi petroleum and petroleum products shall be used to meet the humanitarian needs of the Iraqi population and for other purposes as specified in SCR 986 and shall not be diverted from the purposes laid down in that resolution;

WHEREAS, a Memorandum of Understanding on the implementation of SCR 986 was entered into by the Secretariat of the United Nations and the Government of Iraq on 20 May 1996 (hereinafter referred to as the "Memorandum of Understanding");

WHEREAS, the Security Council Committee established by resolution 661 (1990) concerning the situation between Iraq and Kuwait (hereinafter referred to as the "661 Committee") has issued procedures to be employed by it in the discharge of its responsibilities under Article 12 of SCR 986 (hereinafter referred to as the "661 Committee Procedures");

WHEREAS, pursuant to SCR 986 and the Memorandum of Understanding, the United Nations wishes to enter into arrangements with the Bank for the establishment of the account, and for the performance of various banking services described in this Agreement (hereinafter collectively referred to as the "Services"). such Services to be performed in conformity with the provisions of this Agreement;

WHEREAS, the Bank is in the business of performing, and has offered to perform, such Services;

WHEREAS, it is absolutely essential to the United Nations that the account and the funds and assets therein, and all transactions, data and information relating thereto, be secure from misuse and from unauthorized access, use, tampering or intrusion and that the Services rendered in connection with such account, funds, assets and transactions be reliable and secure;

WHEREAS, the account shall enjoy the privileges and immunities of the United Nations;

NOW, THEREFORE, the United Nations and the Bank hereby mutually agree as follows:

PART 1: TERMS OF GENERAL APPLICATION

1.1 Applicability: The terms and conditions set forth in this Part 1 shall apply to and govern this Agreement in its entirety. In the event and to the extent of any conflict between the terms and conditions set forth in this Part 1 and any other provisions of this Agreement, the terms and conditions of this Part 1 shall prevail.

1.2 Agreement Documents: This document, including all of its Annexes, which are incorporated herein by reference, constitutes the entire Agreement (herein referred to as the "Agreement" or "this Agreement") between the United Nations and the Bank for the provision of the Services.

The Annexes to this Agreement, which constitute an integral part of this Agreement, are the following:

- Annex 1: SCR 986
- Annex 2: Memorandum of Understanding
- Annex 3: 661 Committee Procedures
- Annex 4: Schedule of Authorized United Nations Officials
- Annex 5: Schedule of Fees
- Annex 6: Schedule of Interest Paid on Daily Balances
- Annex 7: BNP Teletransfer Product and Maintenance Provisions
- Annex 8: BNP Telereporting Product and Maintenance Provisions.

The procedures and requirements set forth in SCR 986, the Memorandum of Understanding and the 661 Committee Procedures constitute essential and fundamental terms and conditions of this Agreement.

1.3 United Nations Iraq Account and Services.

1.3.1 The Bank shall open the account provided for in SCR 986 on behalf of the United Nations for the receipt of funds and for the making of payments pursuant to SCR 986.

1.3.2 The account, including any sub-accounts required for purposes of investing funds in the account pursuant to Part 4 of this Agreement, shall be designated the "United Nations Iraq Account" and shall contain only funds paid therein pursuant to SCR 986, investments pursuant to Part 4 of this Agreement and interest income earned by such funds. Such funds and investments shall be regarded as specifically-identified assets held by the United Nations pursuant to SCR 986.

1.3.3 The Bank shall administer the United Nations Iraq Account and perform the Services in full conformity with the terms and conditions of this Agreement.

1.3.4 The United Nations Iraq Account shall be audited as provided in paragraph 7 of SCR 986 and paragraph 14 of the Memorandum of Understanding. The Bank shall co-operate fully in the performance of such audits, and provide all necessary documentation to the United Nations and its auditors.

1.3.5 The Bank shall have no power or authority to pay, transfer, assign, hypothecate, negotiate, pledge or otherwise dispose of or deliver any funds or other assets from time to time held by the Bank pursuant to this Agreement, in the United Nations Iraq Account or otherwise, to any person or entity, whether Governmental or otherwise, except in strict

accordance with the express terms and conditions of this Agreement. The Bank shall have no rights in or to the funds or assets held by it pursuant to this Agreement, whether in the United Nations Iraq Account or otherwise, except as expressly provided in this Agreement.

1.3.6 The proceeds of the sale of Iraq's petroleum and petroleum products shall not be diverted from the purposes laid down in SCR 986.

1.3.7 The United Nations represents and warrants that, as specified in, and in accordance with, SCR 986, the Memorandum of Understanding and the 661 Committee Procedures: (i) it has the right to and control of funds in the United Nations Iraq Account, and (ii) it has the authority to give binding instructions to the Bank with respect to said funds, the Services, the United Nations Iraq Account and the Letters of Credit provided for in this Agreement.

1.4 Transactions and deductions. Transactions with respect to, and deductions from, the United Nations Iraq Account shall be only those authorized by the Security Council in and pursuant to SCR 986, by and pursuant to the Memorandum of Understanding and by and pursuant to this Agreement. All such transactions and deductions shall be made solely from funds in the United Nations Iraq Account pursuant to SCR 986 and the Memorandum of Understanding, and in accordance with the provisions of this Agreement.

1.5 Authorized United Nations Officials. Annex 4 sets forth the names and respective areas of authority of those individuals authorized to act on behalf of the United Nations pursuant to this Agreement. The United Nations shall also provide the Bank with specimen signatures for all such individuals. Any such action shall be effective only if in writing (except as otherwise provided in provisions of this Agreement relating to electronic funds transfers) and signed by the requisite number of the aforementioned Authorized United Nations Officials as specified in Annex 4, or any amendment thereof as hereinafter provided, having the requisite authority. The list of Authorized United Nations Officials may be amended from time to time by means of a written document signed and dated by an

Authorized United Nations Official designated in Annex 4 as having the authority to do so. Such amendment shall be effective upon receipt of such document by the Bank. As used in this Agreement, the term "Authorized United Nations Official" means a United Nations Official designated in Annex 4 of this Agreement or any amendment thereof in accordance with this Article 1.5. The authority of any Authorized United Nations Official shall be only as set forth in the list of Authorized United Nations Officials or an amendment thereof as hereinbefore provided, and subject to any limitations and restrictions on such authority as may be set forth therein. The Bank shall comply with the security procedures set forth in this Agreement.

1.6 Reports and statements of account. The Bank shall provide such reports and statements of account with respect to balances in the United Nations Iraq Account and outstanding Letters of Credit as the United Nations may reasonably request, including without limitation, daily accountings of debits and credits to, and balance of, the United Nations Iraq Account, and daily reports of outstanding Letters of Credit issued, confirmed or advised in accordance with this Agreement. Full transaction details shall be included regarding any and all debits and credits mentioned in the daily transaction reports.

1.7. Legal Status. The Bank shall be considered as having the legal status of an independent contractor vis-à-vis the United Nations. Neither Party's personnel or subcontractors shall be considered in any respect as being the employees or agents of the other Party.

1.8 Source of Instructions. Except as otherwise provided in this Agreement, the Bank shall neither seek nor accept instructions from any authority external to the United Nations in connection with the performance of the Services. Notwithstanding the foregoing, it is understood and agreed that, except as otherwise provided in this Agreement, where necessary to carry out the operations involved in the performance of the Services, the Bank may from time to time act in accordance with procedures or accept information from the following

sources, provided that they are not in or acting on behalf of the Government of Iraq, or representing persons or entities in Iraq: governmental regulatory authorities and examiners, other participants in payment systems used by the Bank in providing the Services, and other financial institutions and third parties supplying information necessary for the Bank to provide the Services. The Bank shall refrain from any action which is inconsistent with the terms and conditions of this Agreement, whether express or implied, or which it knows or has reason to know may adversely affect the United Nations, and shall fulfill its commitments with the fullest regard for its undertakings in this Agreement.

1.9 Bank's Responsibility for Employees. The Bank shall be responsible for the professional and technical competence of its employees and will select, for work under this Agreement, reliable individuals who will perform effectively in the implementation of this Agreement, and conform to a high standard of moral and ethical conduct.

1.10 Assignment. Neither Party shall assign, transfer, pledge or make other disposition of this Agreement or any part thereof or of any of such Party's rights, claims or obligations under this Agreement.

1.11 Sub-Contracting. In the event the Bank requires the services of sub-contractors to provide any services relating to this Agreement, the Bank shall obtain the prior written approval of the United Nations for all sub-contractors, which approval shall not be unreasonably withheld or delayed. Reasonable grounds for the United Nations to withhold its approval shall include, inter alia, that the engagement of a particular sub-contractor would be inconsistent with the purposes of SCR 986. The approval of the United Nations of a sub-contractor shall not relieve the Bank of any of its obligations under this Agreement. The terms of any sub-contract shall be subject to and in conformity with the provisions of this Agreement.

1.12 Officials Not To Benefit. The Bank warrants that no official of the United Nations has received or will be offered by the Bank any direct or indirect personal benefit arising from this Agreement or the award thereof. The Bank agrees that breach of this provision is a breach of an essential term of this Agreement.

1.13 Indemnification; liability for loss of funds, etc.

1.13.1 The Bank shall indemnify, hold and save harmless and defend, at its own expense, the United Nations, its officials, agents, servants and employees, from and against, and pay or reimburse each of the foregoing for, all suits, claims, proceedings, demands and liability of any nature or kind, including their costs and expenses, arising out of any breach of or failure to perform this Agreement or any negligence or wilful misconduct of the Bank or its employees, agents, servants or sub-contractors in the performance of this Agreement. This provision shall also extend, inter alia, to claims and liability in the nature of worker's compensation and products liability.

1.13.2 In addition to and without limiting the foregoing, the Bank shall be liable for loss of or damage to funds or other property or assets held by it in connection with the performance of this Agreement, howsoever caused by any breach of or failure to perform this Agreement or any negligence or wilful misconduct of the Bank, its employees, agents, servants or sub-contractors, including but not limited to theft, misappropriation, fraud or misfeasance.

1.13.3 In the event of any claim by a third party against the Bank, its officials, agents, servants and employees, arising out of any breach of or failure to perform this Agreement or any negligence or wilful misconduct of the United Nations or its employees, agents, servants or sub-contractors in the performance of this Agreement, the United Nations shall reimburse the Bank, exclusively from funds in the United Nations Iraq Account, for the Bank's reasonable costs in defending such claim. Such reimbursement shall include reasonable

attorneys fees provided that the Bank shall have obtained the prior consent of the United Nations for engaging the attorneys in question, such consent not to be unreasonably withheld. The United Nations shall have the right, at its sole option, to be represented in any action or proceeding by independent counsel of the United Nations' own choice, provided that the exercise of such right shall not affect the obligations of the Bank pursuant to this Article 1.13. The reasonable cost of such representation of the United Nations shall be covered from the United Nations Iraq Account.

1.13.4 The provisions of this Article 1.13 shall not lapse upon expiration or termination of this Agreement.

1.14 Intellectual Property Indemnification.

1.14.1 The Bank shall indemnify, hold and save harmless and defend, at its own expense, the United Nations, its officials, agents, servants and employees from and against, and pay or reimburse each of the foregoing for, all suits, claims, proceedings, demands and liability of whatever nature and kind, whether or not resulting from third party claims, including their costs and expenses, with respect to, based on, arising from or relating to allegations that the United Nations' use of any equipment, services, documentation or software provided or supplied by the Bank under this Agreement, separately or in combination with each other, in whole or in part, constitutes an infringement of any patent, copyright or other intellectual property right, or misuse of any proprietary or trade secret information. Without limiting the generality of any of the foregoing, the Bank agrees to pay all litigation costs, attorneys fees, settlement payments and damages awarded or resulting from such suits, claims, proceedings, demands and liability.

1.14.2 The United Nations will promptly advise the Bank in writing of any such suit, claim, proceeding, demand or liability and will reasonably cooperate with the Bank, at the Bank's expense, in the defense or settlement thereof subject to the privileges and immunities

identify, segregate and hold funds as cash collateral in the United Nations Iraq Account as provided in Article 2.3.6, 2.3.7 and 2.3.8.

1.16.3 (a) The Bank shall take all reasonable steps to prevent the placement of any lien, attachment or other encumbrance on the United Nations Iraq Account or the funds therein, and to obtain the immediate removal of any such lien, attachment or encumbrance that has been placed thereon. The United Nations shall assist in such ways as it considers appropriate in preventing the placement or obtaining the removal of any such lien, attachment or other encumbrance, including assistance in upholding the privileges and immunities of the United Nations Iraq Account.

(b) Unless the lien, attachment or other encumbrance relates to any claim or demand arising from any act, omission or circumstance that would constitute a breach of or failure to perform this Agreement or any negligence or wilful misconduct of the Bank, its employees, agents, servants or sub-contractors, or any claim or demand unrelated to this Agreement or the performance thereof, the Bank shall be entitled to reimbursement for its reasonable costs in preventing or obtaining the removal of such lien, attachment or encumbrance. Such reimbursement shall be payable by the United Nations exclusively from funds in the United Nations Iraq Account and shall include reasonable attorneys fees, provided that the Bank shall have obtained the prior consent of the United Nations for engaging the attorneys in question, such consent not to be unreasonably withheld. In addition, in the event that, due to the existence of such lien or attachment on the United Nations Iraq Account, the Bank is prevented from obtaining reimbursement for its payment of an LOC issued by it pursuant to Article 2.3 of this Agreement, the Bank shall be paid interest compensation, for the period of time that the Bank has been so prevented from being reimbursed due to such lien or attachment, provided that such interest compensation shall not exceed the amount of interest that the United Nations is entitled to earn, pursuant to Annex 6

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hereto, on funds in the United Nations Iraq Account in the amount that the Bank has been so prevented from being reimbursed.

1.17 Use of Name, Emblem or Official Seal of the United Nations.

The Bank shall not advertise or, except as provided in Article 1.18 hereof, otherwise make public the fact that it is a contractor with the United Nations, nor shall the Bank, in any manner whatsoever, use the name, emblem or official seal of the United Nations, or any abbreviation of the name of the United Nations in connection with its business or otherwise.

1.18 Confidentiality and Nondisclosure.

1.18.1 Except as otherwise provided in this Article 1.18 or elsewhere in this Agreement, the Bank shall hold and keep in confidence all messages and other data and information received by it under this Agreement, or relating to any transaction involving the Bank or the United Nations Iraq Account or to funds or other assets held by the Bank pursuant to this Agreement, or relating to any of the Services performed by the Bank under this Agreement. Such messages, data and information will remain the property of the United Nations and, upon expiration or termination of this Agreement, will upon request be returned to the United Nations by the Bank; however, the Bank may retain copies thereof for its own records. The above-mentioned messages, data and information will not be used by the Bank for any purpose other than that of rendering the Services under this Agreement, nor will it or any part thereof be disclosed to third parties, by the Bank, its employees, servants, agents or sub-contractors, except as otherwise provided in this Article 1.18.

1.18.2 The Bank may not communicate at any time to any other person, entity, Government or authority external to the United Nations any information relating to this Agreement or the performance thereof known to it by reason of its association with the

United Nations which has not been made public except with the prior authorization of the United Nations; nor shall the Bank at any time use such information to private advantage. Notwithstanding the foregoing, where and to the extent necessary to carry out the operations involved in the performance of the Services, the Bank may from time to time communicate such information to the following entities or persons: relevant governmental regulatory authorities (subject to Article 1.18.4), other participants in payment systems used by the Bank in providing the Services, and other financial institutions and third parties as necessary for the Bank to provide the Services. In addition, the Bank may respond to inquiries regarding its role in, and published procedures for, implementing this Agreement from its customers or other parties interested in buying oil or selling humanitarian supplies under SCR 986, the Memorandum of Understanding and the 661 Committee Procedures.

1.18.3 The Bank may disclose confidential information referred to in Articles 1.18.1 and 1.18.2 in the following additional cases:

- (a) such information may be disclosed to such of the Bank's agents and representatives as need to know such information in connection with the Bank's performance under this Agreement;
- (b) subject to the privileges and immunities of the United Nations and the provisions of Article 1.18.4, such information may be disclosed to the extent required by mandatory provisions of applicable law in a country having jurisdiction over the Bank, provided that the Bank shall give the United Nations prior advance notice of such disclosure (except where the giving of such prior notice is legally prohibited);
- (c) subject to the privileges and immunities of the United Nations and the provisions of Article 1.18.4, and provided that the United Nations shall have given its consent, which shall not be unreasonably withheld, such information may be

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disclosed to any person and in any proceeding necessary in the Bank's reasonable judgement to protect the Bank's interests in connection with any claim or dispute;

(d) such information may be disclosed to the extent that such information (i) becomes publicly available through no fault of the Bank, or (ii) is disclosed to the Bank free of any obligation of confidentiality by a third party who has the right to disclose the same; or

(e) such information may be disclosed at any time after five (5) years following the expiration or termination of this Agreement.

1.18.4 If any confidential information is sought by a Court or governmental agency having jurisdiction over the Bank to require such information, the Bank shall:

(a) prior to disclosing such information, promptly notify the United Nations of such fact; provided, however, that the Bank shall not be obligated to notify the United Nations in the case of a subpoena served on the Bank, or where the Bank is otherwise prohibited by applicable law to which the Bank is subject, from disclosing that the information has been sought, or in the case of regular periodic inspections by bank examiners from government regulatory authorities having jurisdiction over the Bank;

(b) inform the Court or regulatory agency that such information is privileged under the Convention on the Privileges and Immunities of the United Nations, as well as, in the United States, the International Organizations Immunities Act of the United States, Public Law 79-291, 29 December 1945; and

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(c) in the event that such Court or regulatory agency still seeks such information, request that the United Nations be given the opportunity to present its position on the question to such Court or regulatory agency.

1.18.5 The obligations set forth in this Article 1.18 shall not lapse upon expiration or termination of this Agreement.

1.19 Force Majeure; Other Changes in Conditions.

1.19.1 In the event of and as soon as possible after the occurrence of any cause constituting force majeure, the Bank shall give notice and full particulars in writing to the United Nations of such occurrence if the Bank is thereby rendered unable, wholly or in part, to perform its obligations and meet its responsibilities under this Agreement. The Bank shall also notify the United Nations of any other changes in conditions or the occurrence of any event which interferes or threatens to interfere with its performance of this Agreement. Notwithstanding the foregoing, the Bank shall use its best efforts to avoid, minimize, mitigate or remedy as soon as possible, the consequences of such event, occurrence or change which caused such force majeure or interfered or threatened to interfere with the Bank's performance of its obligations under this Agreement. On receipt of the notice required under this Article, the United Nations shall take such action as, in its sole discretion, it considers to be appropriate or necessary in the circumstances, including the granting to the Bank of a reasonable extension of time in which to perform its obligations under this Agreement.

1.19.2 If the Bank is rendered permanently unable, wholly, or in part, by reason of force majeure to perform its obligations and meet its responsibilities under this Agreement, the United Nations shall have the right to suspend or terminate this Agreement upon not less than seven (7) days prior written notice to the Bank.

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1.19.3 Force majeure as used in this Agreement means acts of God, war (whether declared or not), invasion, revolution, insurrection or other acts of a similar nature or force; provided that such event renders the Bank wholly, or in part, unable to provide to its customers in general services of the nature of the Services to be provided under this Agreement and the Bank complies with the obligations set forth in Article 1.19.1.

1.20 Fees

1.20.1 In consideration of the complete and satisfactory performance by the Bank of the Services and other obligations under this Agreement, the Bank shall be paid the fees and charges set forth in Annex 5. The fees and charges set forth in Annex 5 as payable from the United Nations Iraq Account are the only fees and charges payable by the United Nations under this Agreement.

1.20.2 The Bank shall submit invoices with supporting documentation on a monthly basis for fees, charges and all other payments due to the Bank under this Agreement to the United Nations Treasury, Attention: Deputy Treasurer, Room S-2770, New York, N.Y. 10017. However, invoices and supporting documentation for Letter of Credit fees shall be submitted at issuance of the Letter of Credit or as incurred. Invoices shall be paid as follows:

(a) Payment shall be made within thirty (30) days of receipt of the invoice by the United Nations, unless the United Nations disputes the invoice or a portion thereof. Such payment shall be made by means of an instruction by the United Nations to the Bank to debit the United Nations Iraq Account for the amount of the payment to be made against the invoice. With respect to disputes regarding only a portion of the invoice, the United Nations shall pay the Bank the amount of the undisputed portion within thirty (30) days. If a dispute regarding an invoice or a portion thereof has been resolved in favour of the Bank, the United Nations shall pay the Bank expeditiously.

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(b) Without prejudice to the United Nations' rights under paragraph (c) of this Article 1.20.2, the United Nations shall notify the Bank within thirty (30) days of its receipt of an invoice if the United Nations intends to dispute the invoice or any portion thereof. Such notification shall include a brief explanation of the reasons why the United Nations disputes the invoice.

(c) Each invoice paid by the United Nations shall be subject to a post payment audit by the United Nations' auditors or its authorized agents. The Bank shall refund to the United Nations Iraq Account any amounts shown by such audits to have been unauthorized or not in accordance with this Agreement, within thirty (30) days of its receipt of a claim by the United Nations to such refund, provided that the United Nations shall claim such refund during the term of this Agreement or during a period of one (1) year following the expiration or prior termination of this Agreement.

(d) The Bank shall notify the United Nations within thirty (30) days of its receipt of the United Nations' claim to a refund if it intends to dispute the refund or any portion thereof. Such notification shall include a brief explanation of the reasons why the Bank disputes the refund. If the Bank disputes only a portion of such refund, it shall refund the amount of the undisputed portion within thirty (30) days. In the event that the Bank fails to make, or disputes, a refund or a portion thereof, the United Nations may withhold the amount in question from further amounts payable to the Bank under this Agreement.

(e) In the event that the Bank disputes a refund or a portion thereof, the amount withheld pursuant to paragraph (d), above, shall be identified, segregated and held in the United Nations Iraq Account pending the resolution of such dispute. If the dispute is resolved in favour of the Bank, the United Nations shall pay the disputed amount, from the amount identified, segregated and held in the United Nations Iraq Account, by the Bank debiting such amount from the United Nations Iraq Account.

If the dispute is resolved in favour of the entitlement of the United Nations to the refund, and if the United Nations has not withheld the disputed amount pursuant to paragraph (d), above, the Bank shall expeditiously refund such disputed amount or portion thereof to the United Nations Iraq Account.

(f) The United Nations and the Bank shall consult in good faith to promptly resolve outstanding issues with respect to any disputed invoice or any dispute regarding a claim by the United Nations to a refund. Should such a dispute not be resolved within thirty (30) days after written notification that the United Nations intends to dispute an invoice or that the Bank intends to dispute a refund, as the case may be, such dispute will be resolved according to the terms of Article 1.23 of this Agreement ("Settlement of Disputes").

1.21 Term and Termination.

1.21.1 This Agreement will enter into force as of the date when both Parties have signed this Agreement (herein referred to as the "Effective Date"), with each of the Services to be performed by the Bank under this Agreement commencing on a date mutually agreed upon by the Parties. This Agreement will continue in effect for a period of six (6) months from the date when the United States Office of Foreign Assets Control has issued the necessary license to the Bank (the "Initial Term") unless sooner terminated as provided in this Agreement. This Agreement may be renewed, at the sole option of the United Nations, on the same terms and conditions hereof, for an additional period of six (6) months, by means of a written notification of such renewal by the United Nations to the Bank not later than ten (10) days prior to the expiration of the Initial Term. The United Nations may request a renewal of this Agreement after the expiration of the first six-month renewal period hereinbefore referred to, for one or more additional successive periods of six (6) months each, by so notifying the Bank in writing not later than thirty (30) days prior to the expiration of such first six-month renewal period or a successive renewal period. Any

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renewal of the Agreement after the expiration of the aforementioned first six-month renewal period shall require the written consent of the Bank, which consent shall not be unreasonably withheld.

1.21.2 Notwithstanding anything contained in Article 1.21.1, and without prejudice to any other right or remedy the United Nations may have under this Article 1.21 or otherwise under this Agreement, this Agreement may be terminated in whole or in part, upon the following terms:

(a) The United Nations may terminate this Agreement at any time upon written notice to the Bank in the event that the Bank fails to perform any of its obligations hereunder or breaches any representation or warranty made herein and such failure to perform or breach is not cured within thirty (30) days after receipt of written notice thereof; and

(b) The United Nations may terminate this Agreement upon not less than thirty (30) days prior written notice to the Bank, in the event of a change of control of the Bank. For the purpose of the foregoing, "change of control" means (A) directly or indirectly a sale, transfer or other conveyance of all or substantially all of the assets of the Bank to any "person" or "group" (as such terms are used for purposes of Sections 13(d) and 14(d) of the Securities Exchange Act of 1934 of the United States, as amended (the "Exchange Act"), whether or not applicable), as an entirety or substantially as an entirety in one transaction or series of related transactions, (B) any "person" or "group" (as such terms are used for purposes of Sections 13(d) and 14(d) of the Exchange Act, whether or not applicable), is or becomes the "beneficial owner" (as that term is used in Rules 13d-3 and 13d-5 under the Exchange Act, whether or not applicable, except that a person shall be deemed to have "beneficial ownership" of all shares that any such person has the right to acquire, whether such right is exercisable immediately or only after the passage of time), directly or indirectly, of

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more than 30% of the total voting power of all voting stock then outstanding of the Bank; or (C) during any period of 24 consecutive months, individuals who at the beginning of such period constituted the Board of Directors of the Bank (together with any new directors whose election by such Board or whose nomination for election by the shareholders of the Bank was approved by a vote of a majority of the directors then still in office who were either directors at the beginning of such period or whose election or nomination for election was previously so approved) cease for any reason to constitute a majority of the Board of Directors of the Bank then in office.

1.21.3 The United Nations may, without prejudice to any other right or remedy it may have under this Article 1.21 or otherwise under this Agreement, terminate this Agreement forthwith upon any of the events listed below upon written notice to the Bank:

(a) in the event of any material adverse change in the Bank's financial condition, including without limitation, any down-grading of the Bank's individual credit rating by IBCA to lower than "C".

(b) if a trustee, conservator, committee, liquidating agent or governmental authority shall be appointed for the Bank to take possession of or any substantial part of the business or assets of the Bank or if bankruptcy or other proceedings shall be commenced for any such purpose;

(c) if the rights, privileges and franchises of the Bank shall be declared forfeited by any governmental authority or a proceeding is commenced for such purpose, and such declaration or proceedings adversely affect or could adversely affect the performance by the Bank of the Services, or any Service, under this Agreement;

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(d) if the shareholders of the Bank affirmatively vote to place the Bank into liquidation or proceedings are commenced for such purpose;

(e) if a government authority shall bring a suit against the Bank pursuant to a banking or other regulatory statute and said suit adversely affects, or could adversely affect, the performance by the Bank of the Services, or any Service, under this Agreement;
or

(f) if the transaction of the usual business of the Bank is suspended for any reason, or if a committee of any creditors or a liquidating agent is appointed to operate such business.

1.21.4 The United Nations may, without prejudice to any other rights or remedy it may have under this Article 1.21 or otherwise under this Agreement, terminate this Agreement forthwith at any time, upon written notice to the Bank, pursuant to a decision to that effect by the Security Council, or should the mandate of the United Nations under SCR 986 be curtailed or terminated, or should a decision of the Security Council render the United Nations Iraq Account or the Services, in the sole opinion of the United Nations, unnecessary.

1.21.5 The Bank may terminate this Agreement at any time upon written notice to the United Nations in the event that the United Nations fails to perform any of its obligations hereunder or breaches any representation or warranty made herein and such breach is not cured within ninety (90) days after receipt of written notice thereof; provided, however, that the Bank shall have no right to terminate this Agreement during the initial six-month term hereof.

1.21.6 In the event of any termination, no payment shall be due to the Bank except for services performed in conformity with the express terms of this Agreement.

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1.21.7 Upon any termination of this Agreement, (i) all Services pursuant to this Agreement shall automatically and simultaneously terminate, (ii) the United Nations shall immediately return to the Bank all documentation and materials that remain the property of the Bank and were provided to the United Nations by the Bank in connection with any Service; and (iii) the Bank shall deliver to the United Nations, as instructed in writing by two Authorized United Nations Officials and having appropriate authority, all funds and other property held by the Bank pursuant to this Agreement. However, sufficient funds (including funds that, pursuant to Article 2.3.6, 2.3.7 and 2.3.8, are to be identified, segregated and held in the United Nations Iraq Account as cash collateral) shall remain in the United Nations Iraq Account to cover: (i) the reimbursement to be made to the Bank for its payment of any then unpaid outstanding Letters of Credit issued by it pursuant to Article 2.3 of this Agreement, (ii) any reimbursement then due to the Bank pursuant to said Article 2.3 for Letters of Credit issued and paid by it, (iii) any then outstanding fees payable to the Bank from the United Nations Iraq Account duly incurred under this Agreement prior to such termination, (iv) any reimbursement then due to the Bank pursuant to Articles 1.16.3 and 1.25.3, (v) any amount of fees in dispute identified, segregated and held in the United Nations Iraq Account pursuant to Article 1.20.2(e), pending the final resolution of such dispute, and (vi) the amount referred to in Article 1.34 as such amount is reduced in accordance therewith. The amount of funds necessary for the foregoing purposes shall be determined by consultations between the United Nations and the Bank. The provisions of this Agreement shall survive as necessary to apply in respect of such funds for as long as the funds remain in the United Nations Iraq Account. The Bank shall, pursuant to instructions in writing by two Authorized United Nations Officials as aforementioned, deliver to the United Nations funds that remain in the United Nations Iraq Account for the purpose of covering the reimbursement to be made to the Bank for its payment of unpaid outstanding Letters of Credit as hereinbefore provided as each such Letter of Credit expires without being paid, and all remaining funds in the United Nations Iraq Account shall be delivered to the United Nations pursuant to such instructions in writing when all such outstanding Letters of Credit have either expired or have been paid and such payments have been reimbursed to the Bank,

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and all of the other aforementioned reimbursements and payments due to the Bank have been paid.

1.21.8 Nothing in this Article 1.21 or elsewhere in this Agreement shall obligate the United Nations to use any amount or quantity of the Services or any of them, or to guarantee a minimum usage of the Services or any of them. Subject to the conditions in this paragraph, nothing shall restrict or limit the right of the United Nations to withdraw or transfer all or any part of the funds or other assets held or administered by the Bank, pursuant to instructions in writing by two Authorized United Nations Officials having the requisite authority. It is a condition to any withdrawal that such withdrawal shall not exceed the amount of Available Funds as defined in Article 2.3.5. The United Nations shall provide the Bank with two (2) Business Days (as defined in Article 3.1.3) prior notice in the case of any withdrawal or transfer of all or substantially all of the funds or other assets held in the United Nations Iraq Account, except for transfers or withdrawals provided for or contemplated by SCR 986 and the Memorandum of Understanding.

1.22 Non-Exclusivity.

The United Nations reserves the right at any time, including but not limited to during the term of this Agreement or any extension thereof, to enter into any agreements or arrangements with any other entity or entities for any of the Services as necessary to carry out its mandated activities. In the event that the United Nations enters into such agreements or arrangements, it shall so inform the Bank in writing for information purposes only. The United Nations shall incur no liability to the Bank by virtue of its entry into such agreements or arrangements.

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1.23 Settlement of Disputes.

1.23.1 Amicable settlement. The Parties shall use their best efforts to settle amicably any dispute, controversy or claim arising out of or relating to this Agreement or the breach, termination or invalidity thereof. Where the Parties wish to seek such an amicable settlement through conciliation, the conciliation shall take place in accordance with the UNCITRAL Conciliation Rules then obtaining, or according to such other procedure as may be agreed between the Parties.

1.23.2 Arbitration. Any dispute, controversy or claim arising out of or relating to this Agreement, or the breach, termination or invalidity thereof, unless settled amicably under Article 1.23.1 within sixty (60) days after receipt by one Party of the other Party's request for such amicable settlement, shall be referred by either Party to arbitration in accordance with the UNCITRAL Arbitration Rules then obtaining and the directions contained in this Article 1.23.2. The arbitrators selected shall have a working knowledge of banking practices of major international commercial banks, including the Services. The arbitration shall take place in New York City, New York. In connection with the interpretation and application of this Agreement, the arbitrators shall apply (subject to Article 2.1.3) the substantive law of the State of New York relating to banking services and practices in the nature of the Services, except to the extent that such law is inconsistent with the privileges and immunities of the United Nations or SCR 986. The arbitral tribunal shall have no authority to award punitive damages. The arbitral tribunal shall have authority to award such interest as it considers appropriate in accordance with the UNCITRAL Arbitration Rules. The Parties shall be bound by the arbitration award rendered in accordance with such arbitration as the final adjudication of any such dispute, controversy or claim.

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1.24 Privileges and Immunities.

1.24.1 Nothing in or relating to this Agreement, including, but not limited to, the reference to New York law in Article 1.23, shall be deemed a waiver, express or implied, of any of the privileges and immunities of the United Nations, its programmes, funds or offices, whether under the Convention on the Privileges and Immunities of the United Nations, the International Organizations Immunities Act of the United States, Public Law 79-291, 29 December 1945, or otherwise, and no provision of this Agreement shall be interpreted or applied in a manner, or to an extent, inconsistent with such privileges and immunities.

1.24.2 The United Nations Iraq Account shall enjoy the privileges and immunities of the United Nations referred to in Article 1.24.1 and those specified in SCR 986, including full immunity from any attachment, lien or other encumbrance against such Account or any funds or investments (pursuant to Part 4 of this Agreement) therein.

1.25 Tax Exemption.

1.25.1 Section 7 of the Convention on the Privileges and Immunities of the United Nations provides, inter alia, that the United Nations, including its subsidiary organs, is exempt from all direct taxes, except charges for public utility services, and is exempt from customs duties and charges of a similar nature in respect of articles imported or exported for its official use. In the event any governmental authority refuses to recognize the United Nations exemption from such taxes, duties or charges, the Bank shall immediately consult with the United Nations to determine a mutually acceptable procedure.

1.25.2 Accordingly, the Bank shall not include in its fees any amount representing such taxes, duties or charges, unless the Bank has consulted with the United Nations before the payment thereof and the United Nations has, in each instance, specifically authorized the Bank to pay such taxes, duties or charges under protest. In that event, the Bank shall

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provide the United Nations with written evidence that payment of such taxes, duties or charges has been made and appropriately authorized.

1.25.3 The Bank shall be entitled to reimbursement for its reasonable costs of the mutually agreed procedure referred to in Article 1.25.1 to contest or avoid such taxes, duties and charges. Such reimbursement shall be payable by the United Nations exclusively from funds in the United Nations Iraq Account. Such reimbursement shall include reasonable attorneys fees provided that the Bank shall have obtained the prior consent of the United Nations for engaging the attorneys in question, such consent not to be unreasonably withheld.

1.26 Notices. Except as otherwise provided in this Agreement, any and all notices permitted or required hereunder shall be in writing and delivered by hand, transmitted by telecopier with transmittal receipt, or sent via certified or registered mail, return receipt requested, to the parties at the addresses hereafter stated or such other addresses as the Parties may specify in writing:

If to the United Nations: The United Nations
New York, New York 10017
Attention: The Deputy Treasurer
Fax: (212) 963-2086

If to the Bank: Banque Nationale de Paris
Commodities & Trade Finance
499 Park Avenue
New York, New York
Attention: Eva Millas Russo
Fax: (212) 415-9898
or (212) 415-9707

If to the Central Bank of Iraq

(pursuant to Article 2.2): As specified in writing by the United Nations

Notices delivered by hand or by telecopier shall be deemed received upon receipt (in the case of telecopier transmission as evidenced by and on the date and at the time indicated in the telecopier transmittal confirmation), and those sent by certified or registered mail shall be deemed received as evidenced by and on the date indicated in the return receipt signed by the recipient.

1.27 Licenses, Approvals and Other Clearances. The Bank shall be responsible for obtaining all licenses, approvals and other clearances from governmental or other authorities necessary for the performance of its obligations under this Agreement. The obtaining of the necessary license from the United States Office of Foreign Assets Control (OFAC) shall be a condition precedent to the performance of the Services by the Bank. The Bank agrees to use its best efforts to obtain such OFAC license as soon as possible after the execution of this Agreement, and the United Nations shall assist in that respect as appropriate. If the necessary OFAC license is not issued within twenty (20) days after the Effective Date as defined in Article 1.21.1, the United Nations shall be entitled to terminate this Agreement forthwith by written notice to the Bank.

1.28 Observance of the Law. The Bank shall comply with the laws, ordinances, rules and regulations applicable to it bearing on the performance of its obligations under the Agreement.

1.29 Authority to Modify. Only the Under-Secretary-General for Administration and Management of the United Nations (reference to whom in this Article and in Article 1.30 shall include the Official of the United Nations acting on his behalf in his absence) is

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authorized to agree on behalf of the United Nations to any modification of or change in this Agreement, to a waiver of any of its provisions or to any additional contractual relationship of any kind with the Bank. Accordingly, no modification or change in this Agreement shall be valid and enforceable against the United Nations unless provided by an amendment to this Agreement signed by the Bank and the Under-Secretary-General for Administration and Management of the United Nations, and no waiver shall be valid or enforceable unless express and in writing signed by the Under-Secretary-General for Administration and Management of the United Nations. The Under-Secretary-General for Administration and Management of the United Nations may delegate to another Official of the United Nations any authority heretofore provided in this Article 1.29. Such delegation of authority shall be by means of a written document signed and dated by the Under-Secretary-General for Administration and Management of the United Nations. No modification or change in this Agreement shall be valid and enforceable against the Bank, and no waiver by the Bank shall be valid and enforceable, unless such modification, change or waiver is express and in writing signed by the Bank.

1.30 Cooperation. The Bank agrees that at any time (whether before or after the United Nations has given notice of termination), upon request by the Under-Secretary-General for Administration and Management of the United Nations, it will cooperate fully with the United Nations in facilitating the provision of banking services relating to the subject matter of this Agreement by another financial institution, including the transfer of any database or other information developed by the Bank relating to the United Nations Iraq Account and the Services. Notwithstanding the foregoing, the Bank shall not be obligated to make any disclosure which would be prohibited by any legally binding agreement to which the Bank is a party on the Effective Date; provided, however, that the Bank shall promptly notify the United Nations of any disclosure which is so prohibited and consult with the United Nations with a view towards arriving at a mutually agreeable solution. The Under-Secretary-General for Administration and Management of the United Nations may delegate to another Official of the United Nations any authority heretofore provided in this Article 1.30. Such delegation

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of authority shall be by means of a written document signed and dated by the Under-Secretary-General for Administration and Management of the United Nations.

1.31 Breakdown, Disaster Recovery. The Bank represents and warrants that it has in place and will maintain for the entire term and duration of this Agreement and any extension thereof disaster recovery procedures which will be promptly implemented in the event of a partial or total failure, breakdown or impairment of the Bank's computer or other data processing, data transmission or communications systems, from any cause whatsoever, affecting performance of this Agreement. In such event, the Bank will use its best efforts to avoid any interruption of the Services, and to limit such interruption to the shortest practicable time. The Bank will periodically, at least annually, update and test the operability of its disaster recovery procedures and, upon request by the United Nations, provide the United Nations with a current written copy of such procedures and certify to the United Nations that such procedures are fully operational. The Bank shall be excused from implementing its disaster recovery procedures as a result of a force majeure event if that event prevents the Bank from implementing such procedures, provided that it has used its best efforts to avoid, minimize, mitigate or remedy as soon as possible the consequences of such event and implement such procedures. The Bank further represents and warrants that it has in place and will maintain for the entire term and duration of this Agreement and any extension thereof suitable arrangements to safeguard against the destruction, loss or alteration of messages, data or other information or communications, including but not limited to messages, data, information and communications relating to the United Nations Iraq Account, the funds and assets therein, the Services, and transactions relating to the foregoing.

1.32 - Miscellaneous.

1.32.1 No failure on the part of either Party to exercise, and no delay in exercising, any right or remedy hereunder shall operate as a waiver thereof; nor shall any single or partial

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exercise by either Party of any right or remedy hereunder preclude any other or further exercise thereof or the exercise of any other right.

1.32.2 In the event that any one of the provisions of this Agreement shall be held to be invalid, illegal, or unenforceable in any respect, the validity, legality, or enforceability of the remaining provisions of this Agreement shall not be affected or impaired thereby.

1.32.3 This Agreement constitutes the entire agreement of the parties with respect to the Services (except as otherwise expressly provided herein) and supersedes and replaces any previously made proposals, representations, warranties or agreements, express or implied, either oral or in writing, between the Parties.

1.33 Liability of the United Nations. Any obligation or liability of the United Nations under or in connection with this Agreement shall be covered exclusively from, and shall be limited to, funds in the United Nations Iraq Account.

1.34 Reserve. Notwithstanding any other provision of this Agreement, there shall remain in the United Nations Iraq Account at all times a sum of \$100,000, subject to the receipt of funds into the United Nations Iraq Account in at least such amount, which may be used only to provide reimbursement to the Bank pursuant to Articles 1.16.3 and 1.25.3; provided that if the United Nations withdraws funds in the United Nations Iraq Account pursuant to Articles 1.21.7 or 1.21.8, such required amount shall be adjusted in an appropriate manner as agreed between the United Nations and the Bank after consultations between them.

1.35 Representations by the Bank and the United Nations. Each of the Bank and the United Nations represents and warrants to the other that this Agreement (i) has been duly authorized, executed and delivered by it and (ii) constitutes a legal, valid and binding

agreement of it, enforceable in accordance with its terms, subject to the privileges and immunities of the United Nations.

PART 2: LETTERS OF CREDIT

2.1. General.

2.1.1 The Bank undertakes to provide the Services set forth in this Part 2 with respect to Letters of Credit (hereinafter referred to as "LOCs") in accordance with SCR 986, the Memorandum of Understanding, the 661 Committee Procedures and the terms and conditions of this Agreement.

2.1.2 The Bank recognizes that the implementation of SCR 986 and the Memorandum of Understanding requires that purchases of Iraqi petroleum and petroleum products and exports to Iraq of humanitarian supplies, except for purchases made directly by the United Nations Inter-Agency Humanitarian Programme, be paid for through LOCs.

2.1.3 LOCs referred to in this Agreement shall conform with and be governed by the Uniform Customs and Practice for Documentary Credits (1993 Revision) International Chamber of Commerce Publication No. 500, and any revisions thereof, (hereinafter referred to as the "UCP"). Accordingly, the UCP shall be incorporated into the text of each LOC issued or confirmed by the Bank. The Parties agree that nothing in this Agreement is intended to be inconsistent with the UCP.

2.1.4 No approval or instruction received by the Bank from an Authorized United Nations Official having the requisite authority with respect to the issuance, confirmation, advice or amendment of an LOC, or instruction with respect to discrepancies, may be revoked after such approval or instruction has been acted upon by the Bank. However, should circumstances cause the United Nations to seek to modify or revoke an approval or instruction after the Bank has

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acted upon it, the Bank shall assist and co-operate with the United Nations in good faith in attempting to deal with or resolve those circumstances.

2.2 Purchases of Iraqi Petroleum and Petroleum Products.

2.2.1 Upon receipt of an LOC issued by a bank on behalf of a State or national petroleum purchaser (hereinafter referred to as a "Purchaser") for the purchase of Iraqi petroleum or petroleum products (any such issuing bank hereinafter referred to as a "Purchaser's Bank"), and in cases where the Bank issues an LOC directly as the Purchaser's Bank on behalf of its customer (as provided in Article 2.2.8 below), the Bank shall comply with the procedures and requirements set forth in this Article 2.2. Such procedures and requirements shall also apply, mutatis mutandis, in respect of amendments to LOCs. The LOCs referred to in this Article 2.2 are LOCs for the purchase of Iraqi petroleum and petroleum products.

2.2.2 The Bank shall immediately verify that the beneficiary of each LOC is the United Nations, as the holder of the United Nations Iraq Account in accordance with SCR 986, the Memorandum of Understanding and the 661 Committee Procedures, and that each LOC contains provisions to the following effect:

- (a) Provided all terms and conditions of this Letter of Credit are complied with, proceeds of this Letter of Credit will be irrevocably paid into the "United Nations Iraq Account", account number 0200-201752-001-08, with Banque Nationale de Paris, S.A., New York Branch; and
- (b) All charges within Iraq are for the account of the Seller, whereas all charges outside Iraq are to be borne by the Purchaser; and
- (c) This Letter of Credit is not assignable and not transferable.

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2.2.3 If the LOC to be confirmed by the Bank is for a maximum amount, such LOC must provide that invoices for the purchase price of the petroleum or petroleum products exceeding the total amount or balance available under the LOC are acceptable, provided that: (i) the quantity of petroleum or petroleum products invoiced and shipped, as per the bill of lading, does not exceed the total quantity of petroleum or petroleum products authorized to be shipped under the LOC; (ii) the beneficiary agrees in writing to release the documents presented under the LOC to the buyer or the issuing bank of the LOC against payment of only the amount available for payment under the LOC; and (iii) the invoice otherwise complies with the terms and conditions of the LOC.

2.2.4 The United Nations shall provide the Bank with a copy of the standard form of contract to be used for purchases of Iraqi petroleum and petroleum products. Such standard form contract shall contain provisions to the following effect:

(a) The parties hereto agree that payment of the LOC contemplated hereunder shall be made to the United Nations, as holder of the United Nations Iraq Account, account number 0200-201752-001-08, at Banque Nationale de Paris, S.A., New York Branch;

(b) The Letter of Credit to be issued under this contract shall be issued by a bank that meets criteria that have been established for the confirmation of the Letter of Credit by Banque Nationale de Paris, S.A., in an Agreement for Banking Services pursuant to Security Council resolution 986 (1995), entered into between Banque Nationale de Paris, S.A. and the United Nations.

2.2.5 When transmitting the LOC to the Bank, the issuing bank must certify that it has obtained any necessary governmental authorization for the issuance of the LOC.

2.2.6 The Bank shall immediately transmit a copy of the LOC received by it from the Purchaser's Bank to the Overseers of the 661 Committee, through the Deputy Treasurer of the

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United Nations (unless the Bank has been authorized by the Deputy Treasurer to communicate directly with the Overseers), and shall draw the attention of the Overseers to any lack of conformity of the LOC with the requirements of this Agreement. If the Overseers of the 661 Committee, through such a United Nations Official, inform the Bank in writing that the LOC complies with the information given by the Purchaser in its approved application for the purchase of Iraqi petroleum and petroleum products, the Bank shall add its confirmation to the LOC provided that the criteria hereinafter set forth are met: (i) the bank issuing the LOC has an individual IBCA credit rating of C or better; if the LOC is for a maximum amount, the following additional criteria shall apply: (ii) the credit limit established by the Bank in the ordinary course of its business and then in effect for the bank issuing the LOC would not be exceeded by confirming the LOC, and (iii) the credit limit established by the Bank in the ordinary course of its business and then in effect for the country where the bank issuing the LOC is located would not be exceeded by confirming the LOC. Notwithstanding the foregoing, the Bank may confirm an LOC even if one or more of the foregoing criteria are not met. The Bank shall confirm the LOC as provided herein even if the LOC is not for a maximum amount unless the Bank, in its sole discretion, determines that it can confirm an LOC issued by the issuing bank in question only if the LOC is for a maximum amount. Under no circumstances shall the Bank add its confirmation to the LOC unless the Bank has been informed by the Overseers of the 661 Committee that the LOC complies with the information given by the Purchaser in its approved application for the purchase of Iraqi petroleum and petroleum products. In the event that the Overseers of the 661 Committee so inform the Bank, they shall also confirm to the Bank that the contract for the purchase of Iraqi petroleum and petroleum products conforms to the standard form of contract for the purchase of Iraqi petroleum and petroleum products referred to in Article 2.2.4 or indicate any departure therefrom (which may not include departures from the provisions referred to in Article 2.2.4(a) and (b)), and an Authorized United Nations Official having the requisite authority will provide the Bank with the following information concerning said contract: contract number, quality, quantity, date of loading, vessel and pricing mechanism. When the Bank has added its confirmation to an LOC, it shall advise the LOC directly to the

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United Nations and, for information purposes only, forward a copy thereof to the Central Bank of Iraq for the purpose of advising the Iraqi State Oil Marketing Organization (SOMO).

2.2.7 Should the Bank refuse to add its confirmation to the LOC in accordance with Article 2.2.6, it shall so inform the Overseers of the 661 Committee, through the Deputy Treasurer of the United Nations (unless the Bank has been authorized by the Deputy Treasurer to communicate directly with the Overseers), giving the reasons for such refusal, at the time it transmits the copy of the LOC for their review. If so requested by the United Nations, the Bank shall consult with the United Nations regarding the reasons for such refusal. However, the Bank shall not be required to give reasons for its determination, pursuant to Article 2.2.6, that it can confirm an LOC issued by an issuing bank only if the LOC is for a maximum amount. The Bank shall not refuse to confirm an LOC if it has not so notified the Overseers of the 661 Committee. It is understood that the Bank will not transmit the LOC to the Overseers of the 661 Committee before it has determined, in accordance with Article 2.2.6, whether it will add its confirmation to the LOC; however, such determination will be made without delay.

2.2.8 The Bank may issue LOCs directly as the Purchaser's Bank on behalf of its customers who are approved purchasers of Iraqi petroleum and petroleum products. Such LOCs shall comply, mutatis mutandis with all provisions of this Agreement, including, but not limited to, the requirements relating to prior review and approval by the 661 Committee of LOCs issued in connection with purchases of petroleum and petroleum products and those relating to the contents of the LOC. However, no confirmation by the Bank of such an LOC issued by it shall be necessary.

2.2.9 Documents to obtain payment of the LOC shall be presented to the Bank at the address set forth below, or at such other office of the Bank as the Bank and the United Nations may mutually agree:

Banque Nationale de Paris, S.A.
Trade Finance Services
Attn: Harold Lehmann
New York Office
200 Liberty Street
World Financial Center
Tower A
New York, New York 10281-1062.

2.2.10 The proceeds of each LOC shall be paid only into the United Nations Iraq Account and shall be held strictly in accordance with the terms and conditions of this Agreement.

2.2.11 The Bank hereby undertakes not to sell, assign or transfer any LOC to any person or entity, whether governmental or otherwise.

2.2.12 All charges within Iraq are to be borne by the seller of the Iraqi petroleum or petroleum products, and all charges outside Iraq are to be borne by the purchaser of such products, and such charges are not to be covered from the funds in the United Nations Iraq Account.

2.2.13 The provisions of this Article 2.2.13 apply in the case of an LOC for a maximum amount. In the event that the invoiced purchase price of the Iraqi petroleum or petroleum products exceeds the maximum amount of the LOC, and the bank that issued the LOC issues an amendment to the LOC to cover the excess purchase price, the Bank shall transmit a copy of such amendment to the LOC to the Overseers of the 661 Committee in accordance with Articles 2.2.6 and 2.2.7. If the Overseers approve the amendment to the LOC, the Bank shall

add its confirmation thereto, provided that the criteria set forth in Article 2.2.6 would be met. If such criteria would not be met, the Bank shall nevertheless make a good faith effort to determine that it is in a position to confirm the amendment to the LOC. If the Bank is still unable to confirm the amendment to the LOC, it shall so inform the Overseers of the 661 Committee in accordance with Article 2.2.7 at the time it transmits the copy of the amendment to the LOC to them for their review, and, if requested, consult with the United Nations as provided in Article 2.2.7. Under no circumstances shall the Bank add its confirmation to the amendment to the LOC unless the Bank has been informed by the Overseers of the 661 Committee that they have approved the amendment. When the Bank has added its confirmation to the amendment to the LOC, it shall advise the amendment directly to the United Nations and, for information purposes only, forward a copy thereof to the Central Bank of Iraq for the purpose of advising SOMO. If an amendment to the LOC is not issued or is not confirmed by the Bank, the right of the beneficiary of the LOC (the United Nations, as holder of the United Nations Iraq Account) to draw the full amount of the LOC in accordance with its terms shall not be prejudiced thereby.

2.3 Exports to Iraq of humanitarian and other supplies pursuant to SCR 986.

2.3.1 The Bank undertakes to be the issuing bank for LOCs for purchases by the Government of Iraq of humanitarian and other supplies pursuant to SCR 986. In performing such Services, the Bank shall comply with the procedures and requirements set forth in this Article 2.3. The LOCs referred to in this Article 2.3 are LOCs for such purchases of humanitarian and other supplies.

2.3.2 The Central Bank of Iraq will forward to the Bank requests from the appropriate Iraqi Government entities to open irrevocable, non-transferable, non-assignable (except to the supplier's bank for the repayment of financing for the purchase of the humanitarian supplies) LOCs for the account of the Iraqi purchaser in favour of the supplier. Such requests shall provide for payment from the United Nations Iraq Account. Only the United Nations has the

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authority to give binding instructions to the Bank concerning such LOCs. When the Bank receives such a request, it shall immediately forward it to the Deputy Treasurer of the United Nations for approval. Except for LOCs described in Article 2.3.8, the approval shall contain stipulations in substance as follows: (a) approval is given to open the LOC; (b) the Bank is authorized to identify, segregate and hold in the United Nations Iraq Account as cash collateral the amount that the Bank would be required to pay under the LOC and the amount of its fees related to the LOC that are payable from the United Nations Iraq Account pursuant to this Agreement, and, if applicable, the additional amount provided for in Article 2.3.7 to cover potential currency exchange losses in the purchase by the Bank of non-United States dollar currency for the payment of LOCs denominated in such currency, and (c) the Bank shall be reimbursed from the United Nations Iraq Account, in accordance with the terms and conditions of this Agreement, for its payment under the LOC, provided that such payment has been made in full conformity with the terms and conditions of the LOC and all documents presented for payment are in conformity with the requirements of the LOC. Upon receipt of such approval in writing from the Deputy Treasurer of the United Nations or another Authorized United Nations Official having the requisite authority, the Bank shall issue the LOC in accordance with such approval.

2.3.3 The requirements set forth below shall apply to LOCs covering purchases of humanitarian and other supplies:

(a) The Bank shall be reimbursed, in accordance with the terms and conditions of this Agreement, for any payment by the Bank of LOCs issued by it only from funds in the United Nations Iraq Account;

(b) If documents presented to the Bank under the LOCs issued by the Bank are in conformity with the terms and conditions of the LOCs, the Bank shall be authorized to make payment under the LOCs;

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(c) If documents are presented to the Bank which are not in conformity with the LOCs issued by it, the Bank shall request written instructions from the Deputy Treasurer of the United Nations. The Bank shall follow all such instructions issued by an Authorized United Nations Official having the requisite authority.

2.3.4 The LOC shall require as condition for payment of the LOC the submission to the Bank of the following documentation:

- (a) the customary commercial documentation,
- (b) a copy of the 661 Committee's letter stating that the exporter is eligible for payment from the United Nations Iraq Account,
- (c) a confirmation by the Secretary-General's designee of the arrival of the exported goods in Iraq, and
- (d) any required governmental license or equivalent authorizing the export.

The Bank shall effect payment under any LOC only if all the documents listed above and stipulated in the LOC are presented to it and if all other terms and conditions of such LOC are complied with. When specified in the contract and the supporting documents, partial payments can be made in the full amounts that correspond to actual instalment deliveries to Iraq, provided that arrivals of such actual deliveries are confirmed in accordance with this Agreement. Documentary discrepancies can be waived only by an Authorized United Nations Official having the requisite authority.

2.3.5 (a) As used in Article 2.3 and elsewhere in this Agreement, the term "Available Funds" means the funds in the United Nations Iraq Account at any given time net of the aggregate of the following amounts: (i) the amounts then identified, segregated and held in the

United Nations Iraq Account as cash collateral pursuant to Article 2.3.6, 2.3.7 and 2.3.8, (ii) the amount referred to in Article 1.34, subject to adjustment as provided therein, (iii) any amount of fees in dispute then identified, segregated and held in the United Nations Iraq Account pursuant to Article 1.20.2(e), (iv) any reimbursements then due to the Bank for its reasonable costs pursuant to Articles 1.16.3 and 1.25.3 and (v) any then outstanding fees payable to the Bank from the United Nations Iraq Account duly incurred under this Agreement for which amounts are not identified, segregated and held in the United Nations Iraq Account.

(b) The amounts of cash collateral identified, segregated and held in the United Nations Iraq Account pursuant to Articles 2.3.6, 2.3.7, and 2.3.8 shall be adjusted accordingly as and when an LOC expires to the extent that it is unpaid, the Bank is reimbursed pursuant to this Agreement for payments made by it under an LOC, the Bank is paid its fees related to LOCs that are payable from the United Nations Iraq Account pursuant to this Agreement or adjustments are made to the additional amounts of cash collateral referred to in Article 2.3.7. Similarly, the amounts of fees in dispute identified, segregated and held in the United Nations Iraq Account pursuant to Article 1.20.2(e) shall be adjusted accordingly as and when disputes concerning such fees are resolved and payment or refunds of such fees are made in accordance with the resolutions of such disputes.

2.3.6 LOCs will be available for payment only at the Bank and shall provide for payment only from the United Nations Iraq Account. Except in the case of LOCs described in Article 2.3.8, the Bank shall not issue an LOC unless there are sufficient Available Funds in the United Nations Iraq Account to cover such LOC and the fees of the Bank related thereto that are payable from the United Nations Iraq Account pursuant to this Agreement. Also except in the case of LOCs described in Article 2.3.8, concurrently with the issuance of an LOC, the Bank is authorized to identify, segregate and hold in the United Nations Iraq Account as cash collateral the amount that the Bank would be required to pay under the LOC and the amount of its fees related to the LOC that are payable from the United Nations Iraq Account pursuant to this Agreement. The Bank is authorized to debit from the amount identified, segregated and

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held in the United Nations Iraq Account as cash collateral as hereinbefore provided the amount necessary to reimburse itself for any amount paid by it under the LOC, provided that such payment has been made in full conformity with the terms and conditions of the LOC and all documents presented for payment are in conformity with the requirements of the LOC, or an Authorized United Nations Official having the requisite authority has waived a discrepancy pursuant to Article 2.3.3(c). If such amount identified, segregated and held in the United Nations Iraq Account as cash collateral is not sufficient to provide full reimbursement to the Bank for its payment under the LOC, the Bank may, after consultation with the United Nations, debit from Available Funds such additional amount as is necessary to provide such full reimbursement. The Bank's fees related to the LOC that are payable from the United Nations Iraq Account pursuant to this Agreement shall be invoiced to and paid by the United Nations from the United Nations Iraq Account in accordance with Article 1.20.

2.3.7 LOCs provided for in this Article 2.3 will normally be denominated in United States dollars. In the event that an LOC denominated in another freely convertible currency is requested and approved pursuant to this Agreement, purchases of the non-United States dollar currency in which payment of such LOC is to be made shall be covered from funds from the United Nations Iraq Account in accordance with the provisions of this Article 2.3.7. If such purchases of non-United States dollar currencies are made by the Bank: (i) such purchases shall be made on a spot basis at the time the terms and conditions for payment of the LOC have been met, at an exchange rate mutually agreed between the United Nations and the Bank, (ii) the Bank shall be authorized to identify, segregate and hold in the United Nations Iraq Account as cash collateral, in addition to the amount identified, segregated and held in the United Nations Iraq Account referred to in Article 2.3.6, an amount, equal to five per cent (5%) of the amount that the Bank would be required to pay under the LOC, to cover potential currency exchange losses in the purchase by the Bank of the non-United States dollar currency with which payment of the LOC is to be made, and (iii) the Bank shall be authorized to debit from the amount identified, segregated and held in the United Nations Iraq Account as cash collateral pursuant to Article 2.3.6 and this Article 2.3.7 the full cost of the purchase of the non-United States dollar currency

for payment of the LOC in accordance with the provisions of Article 2.3.6 and 2.3.7. Should the aggregate cash collateral identified, segregated and held in the United Nations Iraq Account to cover reimbursement to the Bank for its payment of a particular non-United States dollar-denominated LOC be less than the amount in United States dollars necessary to purchase the non-United States dollar currency to pay the LOC, adjusted on a mark-to-market basis, by more than five per cent (5%), additional cash collateral, in an amount equal to five per cent (5%) of the amount originally identified, segregated and held as cash collateral to cover reimbursement to the Bank for its payment of the LOC, will be identified, segregated and held in the United Nations Iraq Account. For any additional five per cent (5%) increase in the amount in United States dollars necessary to purchase the non-United States dollar currency to pay the LOC, adjusted on a mark-to-market basis, the amount identified, segregated and held in the United Nations Iraq Account shall be increased by an additional five per cent (5%) increment as hereinabove provided. Conversely, such additional cash collateral shall be restored to Available Funds as and to the extent that the amount in United States dollars necessary to purchase the non-United States dollar currency to pay the LOC becomes fully covered without such additional cash collateral. The above-described mark-to-market calculations will be performed daily based on the Exchange Rate quotations for the prior business day as quoted in the Wall Street Journal. The foregoing arrangements shall be subject to such other or additional terms as may be agreed in writing between the Bank and the United Nations.

2.3.8 The Bank shall issue LOCs in respect of the purchase of parts and equipment essential for the safe operation of the Kirkuk-Yumurtalik pipeline without there being sufficient Available Funds in the United Nations Iraq Account, provided the approval of the Authorized United Nations Official having the requisite authority contains stipulations along the following lines: (a) approval is given to open the LOC; (b) upon receipt of Available Funds in the United Nations Iraq Account in an amount sufficient to reimburse the Bank for any payment to be made under the LOC and the amount of the fees relating to the LOC that are payable from the United Nations Iraq Account pursuant to this Agreement, the Bank shall identify, segregate and hold such amount in the United Nations Iraq Account as cash collateral; (c) the Bank is authorized

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to debit from such cash collateral the amount necessary to reimburse itself for any payment under the LOC, provided that such payment has been made in full conformity with the terms and conditions of the LOC and all documents presented for payment are in conformity with the requirements of the LOC, and provided further that an Authorized United Nations Official having the requisite authority has approved such payment. The LOC shall include the following conditions in addition to those set forth in Article 2.3.4:

- (a) the Bank shall not be required to make any payment under the LOC unless and until the United Nations Iraq Account contains Available Funds in an amount sufficient to reimburse the Bank for such payment and any fees that are payable from the United Nations Iraq Account pursuant to this Agreement relating thereto; and
- (b) the Bank shall not make any payment under the LOC unless the Authorized United Nations Officials having the requisite authority approve such payment.

Upon receipt of Available Funds in the United Nations Iraq Account in an amount sufficient to reimburse the Bank for any payment to be made under an LOC described in this Article 2.3.8 and its related fees that are payable from the United Nations Iraq Account pursuant to this Agreement, the Bank shall request approval from the Deputy Treasurer of the United Nations to identify, segregate and hold such amount in the United Nations Iraq Account as cash collateral. The Bank is authorized to debit from such amount identified, segregated and held in the United Nations Iraq Account as cash collateral the amount necessary to reimburse itself for any amount paid by it payment under the LOC, provided that such payment has been made in full conformity with the terms and conditions of the LOC and all documents presented for payment are in conformity with the requirements of the LOC, or an Authorized United Nations Official having the requisite authority has waived a discrepancy pursuant to Article 2.3.3(c), and provided further that an Authorized United Nations Official having the requisite authority has approved such payment. If such amount identified, segregated and held in the United Nations Iraq Account as cash collateral is not sufficient to provide full reimbursement to the Bank for

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its payment under the LOC, the Bank may, after consultation with the United Nations, debit from Available Funds such additional amount as is necessary to provide such full reimbursement. The Bank's fees related to the LOC that are payable from the United Nations Iraq Account pursuant to this Agreement shall be invoiced to and paid by the United Nations from the United Nations Iraq Account in accordance with Article 1.20.

PART 3: PROCESSING OF NON-ELECTRONIC FUNDS TRANSFER INSTRUCTIONS

3.1.1 Delivery of Non-Electronic Transfer Instructions. From time to time, two of the Authorized United Nations Officials having the requisite authority may deliver or transmit to the Bank's offices at 499 Park Avenue, New York, New York, to the attention of Eva Millas Russo, Commodities & Trade Finance, or to such other address or such other Officer of the Bank as the Bank may specify by written notice to the United Nations, non-electronic funds transfer instructions with respect to the United Nations Iraq Account in any of the following forms (each being hereinafter referred to as "Non-Electronic Funds Transfer Instructions"):

- (a) one or more written funds transfer instructions, signed by two such Authorized United Nations Officials, in such form as may be mutually agreed upon in writing by such Authorized United Nations Officials and an Officer of the Bank;
- (b) funds transfer instructions delivered by means of facsimile transmission confirmed by a transmittal receipt and signed by two such Authorized United Nations Officials.

3.1.2 Notwithstanding the foregoing, the Bank shall not accept any Non-Electronic Funds Transfer Instructions from any Authorized United Nations Officials unless there are sufficient Available Funds (as defined in Article 2.3.5) in the United Nations Iraq Account as of the date of such Instructions to cover the amount of any such transfer; provided, however, that the Bank shall accept a Non-Electronic Funds Transfer Instruction to make payments from funds

identified, segregated and held in the United Nations Iraq Account pursuant to this Agreement for purposes for which such funds have been so identified, segregated and held.

3.1.3 Upon receipt by the Bank of proper Non-Electronic Funds Transfer Instructions, as provided above, but subject to verifying the authenticity thereof in accordance with Article 3.2, the Bank shall transfer funds in the amount and manner specified in such Non-Electronic Funds Transfer Instructions to the designated payee and, thereupon, debit the United Nations Iraq Account. If such proper Non-Electronic Funds Transfer Instructions are received by the Bank (i) prior to 10:00 a.m. Eastern Time on any day on which commercial banks and foreign exchange markets settle payments in New York (hereinafter referred to as a "Business Day"), such transfer shall, subject to such verification, be made on such Business Day, or (ii) after 10:00 a.m. Eastern Time on any Business Day, the Bank shall, subject to such verification, use its best efforts to effect such transfer as of the same Business Day, but in any event no later than the next succeeding Business Day; provided that if such transfer has been designated as urgent by an Authorized United Nations Official having the requisite authority, the Bank shall use its best efforts to effect such transfer as of the same Business Day.

3.2 Security Procedures. The Bank shall verify the authenticity of all Non-Electronic Funds Transfer Instructions as follows:

(a) Upon receipt of Non-Electronic Funds Transfer Instructions at the Bank's Commodities & Trade Finance Desk, the Bank shall check all signatures and make a call-back to an Authorized United Nations Official having the requisite authority, preferably an Authorized United Nations Official who did not sign the Non-Electronic Funds Transfer Instructions, to verify the instructions given therein.

(b) The Bank shall then transmit the Non-Electronic Funds Transfer Instructions to its Collateral Control Section within the Trade Finance Services Department to verify sufficient cash balances in the United Nations Iraq Account from which payment under

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the Non-Electronic Funds Transfer Instructions can be made in accordance with Article 3.1.2. The Trade Finance Services Department will set aside the required funds and notify the Commodities & Trade Finance Desk that sufficient funds exist to make the payment.

(c) The Bank shall then transmit the Non-Electronic Funds Transfer Instructions to its Funds Transfer Department for processing via its payment system.

(d) The Commodities & Trade Finance Desk will have set up a zero transaction and a zero overdraft limit on the United Nations Iraq Account. Consequently, the Funds Transfer Department will call the Commodities & Trade Finance Desk to verify again that the transfer can be released.

(e) Upon approval from the Commodities & Trade Finance Desk, the Bank will release the transfer.

(f) The United Nations will follow up by sending the original hard-copy request to the Bank as confirmation.

3.3 General Provisions Respecting Non-Electronic Funds Transfer Instructions. The United Nations shall be bound by any Non-Electronic Funds Transfer Instructions, whether or not actually authorized, if, but only if, they were issued in its name, conformed on their face with the requirements of Article 3.1, and purported to be issued by Authorized United Nations Officials having the requisite authority to give such Non-Electronic Funds Transfer Instructions and such instructions were accepted in good faith by the Bank and in compliance with the security procedures set forth in Article 3.2. The security procedures and other terms specified herein shall also apply to amendments and cancellations of Non-Electronic Funds Transfer Instructions. It is understood that these security procedures are designed to verify the authenticity of, and not to detect errors in, Non-Electronic Funds Transfer Instructions.

PART 4: INTEREST PAID ON BALANCES

4.1 Instructions. The Bank shall act on the instructions from the Authorized United Nations Officials having the requisite authority with respect to investments of funds in the United Nations Iraq Account for the purpose of earning interest. Such investments shall only be in the form of overnight or other short term interest-bearing investments and shall be specifically identified as assets of the United Nations Iraq Account. The Bank shall place the funds in sub-accounts of the United Nations Iraq Account for the purpose of such investments.

4.2 Investments of Cash Collateral. The Bank shall place amounts identified, segregated and held in the United Nations Iraq Account as cash collateral pursuant to this Agreement in an overnight investment sub-account of the United Nations Iraq Account separate from other investment sub-accounts of the United Nations Iraq Account.

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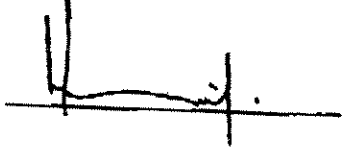
4.3 Interest Rates. Interest rates payable on investments of funds in the United Nations Iraq Account shall be based on the interest rate formulae set forth in Annex 6.

IN WITNESS WHEREOF, the Parties have executed this Agreement on the dates hereinafter specified.

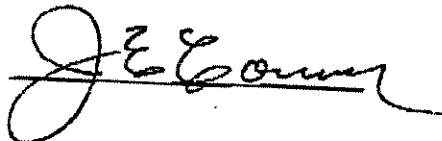
BANQUE NATIONALE DE PARIS, S.A.

THE UNITED NATIONS

By:



By:



Name: Pierre Schneider

Name: Joseph E. Connor

Title: General Manager and Chief Executive Officer, BNP US Eastern Group

Title: Under-Secretary-General for Administration and Management

Date:

For and on behalf of Daniel deLeon
President and Chief Operating Officer
12/9/96

Date:

12-9-96

By: _____

Name: _____

Title: _____

Date: _____