Guidelines on CMI Investment Policy

1. The objective should be that the investments of CMI's assets should give a reasonable yield without compromising the safety of these assets. In the current situation in the world economy, it is not an easy task.

2. The amounts held by CMI are fairly limited. The cash reserve is at present around €600 000, and it is likely that it will be kept at around that level in coming years. When the payments of subscriptions (totaling some €200 000) are received from the National Maritime Law Associations in the first half of the calendar year, the amount held by CMI will increase by the amount received, but the total assets will decrease again as expenses for running the organization are paid during the year.

3. An important issue is the currency in which CMI's assets should be held. Many companies, including major P&I Clubs, match liabilities and assets. If, for instance, over several years on average 40 % of the compensation payments made by a given P&I Club have been effected in US dollars, the Club may decide to keep the corresponding proportion of its reserves in that currency.

4. For CMI, however, the situation is different. It is of course possible to establish with some degree of accuracy the currency or currencies in which the expenses for the administration of the Secretariat are incurred. Traditionally, since CMI's Headquarters, the Treasurer and the Administrator were located in Belgium, these expenses were mainly incurred in Belgian francs or, in recent years, in euros. Although the Administrator is now located in Singapore, it is believed that the major part of the normal running costs are still to be paid in euros.

5. Some major expenses, for instance those relating to Conferences, Symposiums and Colloquiums, may (unless held in a euro zone country) be paid in other currencies, as will the costs of hotel accommodation relating to meetings of the Executive Council in connection with such events. The location of these events varies from one year to another, and consequently also the currencies in which such costs are to be paid.

6. Holding its assets in various currencies would also expose CMI to the uncertainties of currency fluctuations. It could of course work both ways, resulting in either gains or losses. However, it is likely that major losses due to depreciation of a particular currency in which CMI held assets could give rise to criticism, whereas it is not obvious that gains due to appreciation of a currency would result in correspondingly favorable comments by National Maritime Law Associations. Furthermore, it is believed that if CMI's assets were to be held also in currencies other than euros, it would increase the Treasurer's work and, with due respect for the expertise of the Treasurer, would probably also necessitate the use of outside experts which would result in additional expenses.

7. Against this background, it is submitted that CMI's assets should also in the future be held in euros.

8. Another important issue is the terms for which CMI's investments should be made. In view of the relatively modest amounts involved and the importance of CMI always having sufficient liquid funds, it is suggested that the investments should not normally exceed one year and in any event not be made for more than two years.

9. Of paramount importance is the safety of the placement of CMI's assets. It would be reasonable to invest in government bonds issued by States in the euro zone, provided the State in question is highly graded by the major international rating agencies. CMI should also be allowed to make deposits with

major banks or other financial institutions within the euro zone, provided again that they have high rating with such agencies. Such deposits should if possible be protected by government guarantees. It is firmly believed that CMI should not invest in equities, or in corporate bonds or other unit trusts or similar products.

10. In order to reduce the risks of major losses, the investments of CMI's assets should be spread between several institutions.

11. It is suggested that the investment policy, once adopted by the Executive Council, should be set out in a formal document ("Guidelines") which should be reported to the CMI Assembly.

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It could be required, for instance, that the bank or institution should have a short term credit rating of F1+, P1+ and A1+ with at least two of the three major rating agencies (Ffitch, Moody and Standard & Poor).