

Text of Financial Regulations by <i>Article</i> <i>Clause</i>	Comments
	<p>1. Necessary to wait for the accomplishment of drafting work of the Convention to examine actual draft GR as well as Financial Regulations. (see Japanese comment 1 to the GR).</p> <p>2. Japan's following comments are provisional ones on the basis of above-mentioned idea, and Japan retains its right to submit further comments at the future meetings and occasions.</p> <p>3. Our understanding is that the Financial Regulations, as annex to the GR, is not a legally-binding document. It is therefore necessary to avoid using some wordings such as "shall", "agree", "article", etc., which are usually used only in legally-binding documents and may thus cause a misunderstanding on the legal status of the Financial Regulations, and replace them by appropriate wordings such as "should", "decide", etc.</p>
<b>ANNEX A Financial Regulations of the International Organization for Marine Aids to Navigation [and Vessel Traffic Services] (<del>IALA</del> [IOMAN])</b>	4. See Japanese comments 3 and 4 to the Convention (modification of the title and abbreviation of the Convention). (Same modification is required for each subsequent clause/paragraph.)
<p><b>Article-1</b>  <b>Application</b>          These Financial Regulations <del>shall</del><b>should</b> govern the financial administration of the International Organization for Marine Aids to Navigation [and Vessel Traffic Services] (<del>IALA</del>[IOMAN]) (hereinafter referred to as "the Organization").</p>	5. 1: Add "(hereinafter referred to as "the Organization")." for clarification.
<p><b>Article-2</b>  <b>Financial Governance</b></p>	

<p><b>2.1</b> The General Assembly, upon advice of the Council:</p> <p>(a) <del>shall</del><b>should</b> determine and review the financial arrangements and endorse the Finance Report. The Finance Report <del>shall</del><b>should</b> cover the preceding four year period in respect of:</p> <ul style="list-style-type: none"> <li>i. balance sheet;</li> <li>ii. income statement;</li> <li>iii. cash reserve; and</li> <li>iv. outstanding contributions and <b>Member</b> fees and interest due; and</li> </ul> <p>(b) <del>shall</del><b>should</b> approve the outline budget, <b>including rates of contributions and Member fees</b>, for the next four year period.</p> <p><b>2.2</b> The Council, upon advice of the Finance and Audit Committee (“FAC”) and the external auditor, <del>shall</del><b>should</b>:</p> <p>(a) approve the budget for the current year and review the forecast for the following three years;</p> <p>(b) approve the balance sheet;</p> <p>(c) close the annual accounts;</p> <p><del>(d) determine rates of contributions and fees in accordance with the General Regulations Article 2.5;</del> and</p> <p><del>(e)</del>(d) decide on suspension and termination of Associate and Affiliate membership for non-payment of <b>Member</b> fees.</p> <p><b>2.3</b> The FAC <del>shall</del><b>should</b>:</p> <p>(a) review the audited financial statements for the previous year and advise the Council on the approval of the annual accounts;</p> <p>(b) review the draft annual budget for the coming year for consideration by the Council;</p> <p>(c) approve a four year budget on an annual basis for noting by the Council;</p> <p>(d) provide advice to the Council and to the Secretary-General on any audit observations or findings related to finances;</p>	<p>6. 2.1 (a) iv: Replace “fees” by “Member fees” for clarification. (Same modification is required for each subsequent clause/paragraph.)</p> <p>7. 2.1 (b): Insert “, including rates of contributions and Member fees,” between “budget” and “for the next four year period”. (See Japanese comment 33 to the Convention.)</p> <p>8. 2.2 (d): Delete subparagraph (d) because the rate of contributions and Member fees should be decided by the GA, not by the Council. Modify also the numbering of a subsequent subparagraph.</p>
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<p>(e) recommend the rates of contributions and <b>Member</b> fees for the next <b>four</b> year;  (f) recommend potential termination of membership, in respect of <b>Member</b> fees in arrears; and  (g) consider any other matters referred to it by the Council.</p> <p><b>2.4</b> The Treasurer:</p> <p>(a) <del>shall</del><b>should</b> examine the accounts and submit them to the FAC; and  (b) may authorize expenses not provided for in the budget, within approved limits.</p> <p><b>2.5</b> The Secretariat, in accordance with the Secretariat Procedures, <del>shall</del><b>should</b>:</p> <p>(a) maintain the accounts;  (b) prepare the finance report and the financial statements;  (c) control the financial records, including records of income and expenditure;  (d) manage the audit; and  (e) advise the Secretary-General on financial matters.</p> <p><b>2.6</b> An external auditor must be engaged to check the financial management and a chartered accountant <del>shall</del><b>should</b> be engaged to assist the Secretariat with management accounting.</p> <p><b>2.7</b> The operating currency <del>shall</del><b>should</b> be the Euro.</p>	<p>9. 2.3 (e): Insert “four” between “next” and “year”</p>
<p><b>Article 3</b>  <b>The Financial Period</b></p> <p><b>3.1</b> The financial year <del>shall</del><b>should</b> run from 1st January to 31st December.  <b>3.2</b> The budget <del>shall</del><b>should</b> be drawn up on a four year basis. Budget estimates for each year <del>shall</del><b>should</b> be shown separately.</p>	
<p><b>Article 4</b>  <b>Budget</b></p> <p><b>4.1</b> The Secretary-General <del>shall</del><b>should</b> operate within the limits of the annual</p>	

<p>budget. However the Secretary-General may adjust allocations within the approved budget, especially in the case of major unplanned expenditure or substantial change in the number of members.</p> <p><b>4.2</b> Any transfers of allocations between different categories of expenditure specified in the budget <del>shall</del>should be reported, with the necessary justification, to the FAC.</p> <p><b>4.3</b> No further commitment to expenditure against the approved budget may be incurred after the close of the financial period. Outstanding obligations against the approved budget must be met within ninety calendar days of the close of the financial year.</p>	
<p><b>Article 5</b></p> <p><b>Income and Expenditure</b></p> <p><b>5.1</b> Details of income and expenditure <del>shall</del>should be shown separately in the financial records of the Organization.</p> <p>The Organization <del>shall</del>should primarily be funded from contributions and <b>Member</b> fees.</p> <p><b>5.2</b> The expenses <del>shall</del>should be comprised of budget headings, as follows:</p> <ul style="list-style-type: none"><li>(a) Personnel costs;</li><li>(b) Operating costs; and</li><li>(c) Capital costs.</li></ul> <p>Each heading may be further subdivided, as necessary.</p> <p><b>5.3</b> Full and accurate records of all income and expenditure, including supporting documentation for expenditure, <del>shall</del>should be kept. These records <del>shall</del>should conform to standard accounting practices. The Secretariat <del>shall</del>should maintain an archive of financial records for production to the Secretary-General, the FAC or an auditor.</p>	

<p>5.4 No payment greater than permitted by the law of the <b>Contracting Party of the State in which the seat of the Organization is located</b> (“Host Nation”) <del>shall</del><b>should</b> be accepted in cash.</p>	<p>10. 5.4: Replace “Host Nation” by “the Contracting Party of the State in which the seat of the Organization is located (‘‘Host Nation’’)” for clarification.</p>
<p><del>Article 6</del>  <b>Procurement</b>  6.1 All funds <del>shall</del><b>should</b> be under the operational control of the Secretary-General.  6.2 The Secretary-General may designate, in writing, members of the Secretariat as line managers for the purpose of these Financial Regulations.</p>	
<p><del>Article 7</del>  <b>Financial Statements</b>  7.1 The financial statements <del>shall</del><b>should</b> be the budget, the income and expenditure accounts and the balance sheet.  7.2 The financial statements of the Organization <del>shall</del><b>should</b> cover the Secretariat including the Academy. They <del>shall</del><b>should</b> be presented in a consolidated form and separately.  7.3 The <del>Treasurer</del><b>Secretariat</b> <del>shall</del><b>should</b> submit the financial statements to the FAC, not later than two weeks prior to a FAC meeting.</p>	<p>11. 7.3: According to 2.4 and 2.5 of the Financial Regulations, the financial statements are prepared by the Secretariat, not by the Treasure. Replace therefore “The Treasure” by “The Secretariat”. If the financial statements are to be submitted by the Treasure, 2.4 and 2.5 should be modified.</p>
<p><del>Article 8</del>  <b>Cash Reserve</b>  To ensure the financial stability of the Organization and to avoid any financial difficulties, the Organization <del>shall</del><b>should</b> maintain a cash reserve according to the</p>	

<p>financial requirements as approved by the Secretary-General and the FAC. The value of the cash reserve <del>shall</del>should be no less than four months of the annual budget.</p>	
<p><b>Article 9</b>  <b>Annual Contributions and Member Fees</b>  <b>9.1</b> Annual contributions and <b>Member</b> fees represent the main source of income for the functioning of the Organization.  <b>9.2</b> The FAC should take the following matters into account when recommending the rates of contribution and <b>Member</b> fees:  (a) the requirement that the revenue and the expenditure in the budget should be balanced;  (b) the percentage of invoices for contributions and <b>Member</b> fees likely to be settled on time;  (c) the global economic situation;  (d) the rate of inflation in the Host Nation; and  (e) the planned or anticipated exceptional expenditure.  <b>9.3</b> The Secretariat, in accordance with the Secretariat Procedures, after the <del>Council</del><b>General Assembly</b> has approved the rate and no later than 31<sup>st</sup> October each year, <del>shall</del>should send an invoice for annual contributions or <b>Member</b> fees for the following year to each Contracting Party <del>and member, Associate Member and Affiliate Member</del>.  <b>9.4</b> For new Contracting Parties <del>and members, Associate Members and Affiliate Members</del>, the following rates of contribution or <b>Member</b> fee <del>shall</del>should apply:  (a) A Contracting Party <del>shall</del>should be required to pay a full annual contribution regardless of the date on which the Convention enters into force for that Contracting Party.</p>	<p>12. 9.3: Replace “the Council” by “the General Assembly” (See Japanese comment 33 to the Convention). Replace also “and member” by “, Associate Member and Affiliate Member” for clarification.</p> <p>13. 9.4: Replace “and members” by “, Associate Members and Affiliate Members,”.</p>

<p>(b) Associate <del>Members</del> and <del>a</del>Affiliate <del>m</del>Members <del>shall</del>should pay:</p> <p>i. a full annual fee for applications approved by the <del>Council</del>General Assembly between 1<sup>st</sup> January and 30<sup>th</sup> June; or</p> <p>ii. half the annual fee for applications approved by the <del>Council</del>General Assembly between 1<sup>st</sup> July and 31<sup>st</sup> December.</p> <p><b>9.5</b> In the event of the resignation of a member, the <del>Member</del> fee <del>shall</del>should not be due if a letter of resignation is received before 31<sup>st</sup> March of the current year.</p>	<p>14. 9.4 (b): Replace “Associate and affiliate members” by “Associate Members and Affiliate Members”. (Same modification is required for each subsequent clause/paragraph.)</p> <p>15. 9.4 (b) i and ii: Replace “the Council” by “the General Assembly” (twice.).</p> <p>16. 9.5: Add “,” after “the resignation of a member” for clarification.</p>
<p><b>Article 10</b></p> <p><b>Unpaid Contributions and <del>Member</del> Fees</b></p> <p><b>10.1</b> In the case of unpaid contributions or <del>Member</del> fees, the Secretariat, in accordance with the relevant Secretariat Procedures, <del>shall</del>should apply the following arrangements:</p> <p>(a) For Contracting Parties:</p> <p>i. charge a [3%] per annum interest rate on contributions remaining unpaid on 31<sup>st</sup> July of the financial year;</p> <p>ii. in the event of paragraph i. request payment by 1<sup>st</sup> October of the financial year;</p> <p>iii. If no payment is received by 1<sup>st</sup> November, the Secretary-General <del>shall</del>should contact the Contracting Party, requesting payment and inviting the Contracting Party to discuss any difficulties that would justify the Organization considering a payment plan; and</p> <p>iiii. if the contribution remains unpaid and <del>an agreement</del>a consensus has not been reached with the Contracting Party regarding payment, suspend membership rights and benefits with effect from twenty-four months after the due date for payment, in accordance with the Convention.</p> <p>(b) For Associate <del>Members</del> and <del>a</del>Affiliate <del>m</del>Members, the</p>	<p>17. 10.1: Add “,” after “or Member fees” for clarification.</p> <p>18. 10.1 (a) i and (b) i: Add bracket to “3%”, because further discussion is needed to consider if this percentage is appropriate as interest rate. Interest rate in other international organizations should also be taken into account.</p> <p>19. 10.1 (a) ii: Add “,” after “1<sup>st</sup> November” for clarification. Also, the second sentence should be numbered as subparagraph (iii), and actual subparagraph (iii) should be numbered as subparagraph (iv).</p> <p>20. 10.1 (a) (iii): Replace “an agreement” by “a consensus”.</p>

<p>Organization <del>shall</del>should:</p> <ul style="list-style-type: none"> <li>i. charge a [3%] per annum interest rate on Member fees remaining unpaid on 1<sup>st</sup> May of the financial year;</li> <li>ii. on approval by the Council, suspend membership rights in accordance with the table at Annex B of the General Regulations if no payment is received by 1<sup>st</sup> July of the financial year;</li> <li>iii. advise the Council, at its second annual session, of unpaid Member fees; and</li> <li>iv. on approval by the Council, after notification, terminate membership if Member fees remain unpaid after membership rights have been suspended for six months and the <del>member</del>Associate Member or Affiliate Member has not <del>agreed</del>submitted a payment schedule.</li> </ul> <p><b>10.2</b> Outstanding contributions and Member fees and interest due will be shown in tables annexed to the financial statements. Provision for bad debts arising from non-payment of contributions and Member fees <del>shall</del>should be made in the annual balance sheet.</p>	<p>21. 10.1 (b) (iv): Replace “agreed” by “submitted”. Replace also “the member” by “the Associate Member or Affiliate Member”.</p>
<p><b><del>Article 11</del></b></p> <p><b>Dedicated Funds</b></p> <p><b>11.1</b> Dedicated funds may be established by the Secretary-General for the execution of specific <del>programmes</del>programs or projects, provided that the purposes are consistent with the <del>aim</del>objectives and functions of the Organization. The purpose and limits of each dedicated fund <del>shall</del>should be clearly reported to the Council.</p> <p><b>11.2</b> The financial resources needed to establish a dedicated fund may come from grants, donations, bequests, gifts or other sources as approved by the Secretary-General. The precise terms and conditions governing such</p>	<p>22. 11.1: Replace “the aim” by “the objectives”. (See Japanese comment 13 to the Convention.</p>



<p>income <del>shall</del>should be formalized.</p> <p><b>11.3</b> Any monies remaining unused when a <del>programme</del>program or project is terminated should be used as stipulated, and if not so stipulated, for the general <del>purposes</del>objectives of the Organization unless the Secretary-General determines otherwise.</p> <p><b>11.4</b> A specific budget should be prepared for each fund for approval of the Council and the final result for the year for each dedicated fund should be shown separately in the financial statements.</p> <p><b>11.5</b> Any dedicated funds should be audited in accordance with the relevant provisions in <del>Article</del>12.</p>	<p>23. 11.3: Replace “the general purposes” by “the general objectives”. (Consistency with the Convention.)</p>
<p><b><del>Article</del>12</b></p> <p><b>External Audit</b></p> <p><b>12.1</b> An external auditor <del>shall</del>should be appointed by the FAC and carry out such work as required by applicable accounting practices.</p> <p><b>12.2</b> The appointment is for a period of six (6) years and may be renewed.</p> <p><b>12.3</b> The external auditor may make observations with respect to the efficiency of the financial procedures, the accounting system, internal financial controls and, in general, the administration and financial management of the Organization.</p> <p><b>12.4</b> In addition to the above, the Council may request the external auditor to perform specific investigations and issue separate reports on the results.</p> <p><b>12.5</b> Draft final accounts will be submitted by the external auditor to the first Council meeting each year.</p> <p><b>12.6</b> The Council may close the accounts after examination of particular Contracting Party <del>and—member,</del> Associate Member and Affiliate Member situations and after decision to authorize the writing-off of arrears of contributions and <del>Member</del> fees or other bad debts as required.</p>	<p>24. 12.6: Is the paragraph 12.6 related to the external audit? If not, it should be moved to different clause.</p>

<p><b>12.7</b> The audit report <del>shall</del>should be made available to Contracting Parties <del>and members, Associate Members and Affiliate Members</del> via the annual report and the website of the Organization.</p>	<p>25. 12.7: Add “of the Organization” after “the website” for clarification.</p>
<p><del>Article 13</del> <b>Termination</b> In the event of termination of the Organization, the balance of the accounts (credit or debit) <del>shall</del>should be divided amongst the Contracting Parties <del>and members, Associate Members and Affiliate Members</del> on the day when the Convention ceases to have effect, in proportion to their last annual contribution and <del>Member</del> fee.</p>	