

## Offering Circular

# International Bank for Reconstruction and Development



## DISCOUNT NOTES

The World Bank, officially known as the International Bank for Reconstruction and Development (the Bank), intends to offer on a continuous basis notes (Discount Notes) with maturities of 360 days or less at a discount and, in certain circumstances, on an interest-bearing basis. The Discount Notes are offered through a group of dealers consisting (on the date hereof) of Barclays Capital Inc.; FTN Financial Capital Markets; Goldman, Sachs & Co.; Jefferies & Company, Inc.; Merrill Lynch, Pierce, Fenner & Smith Incorporated; Nomura Securities International, Inc.; and UBS Securities LLC (the Dealers). Dealers may be added or removed from time to time at the discretion of the Bank. The Bank may also offer and sell Discount Notes directly to investors on its own behalf. The Discount Notes may be offered in the United States and Eurodollar markets. The Dealers will not accept any customer's order for Discount Notes to be issued by the Bank for less than \$50,000 aggregate face amount per maturity date. Discount Notes are available in denominations of \$1,000 and integral multiples thereof. The maturities of Discount Notes offered by the Bank and the discount rate for various maturities will be established from time to time by the Bank. Information as to the maturities available and such discount rates (as well as the corresponding interest rates for Discount Notes to be sold on an interest-bearing basis) may be obtained from the Dealers.

Each of the Dealers has undertaken to the Bank to use its best efforts to maintain a secondary market for the Discount Notes.

The Federal Reserve Bank of New York acts as Fiscal Agent of the Bank with respect to Discount Notes pursuant to a Fiscal Agency Agreement. On original issuance, all Discount Notes will be issued only in book-entry form through the office of the Fiscal Agent in New York. Discount Notes will be held by Holding Institutions designated by the Dealers including JPMorgan Chase Bank, N.A. and Citibank, N.A. as depositaries for Euroclear Bank S.A./N.V., as operator of the Euroclear System, and Clearstream Banking, société anonyme, respectively. After original issuance, Discount Notes will continue to be held by such Holding Institutions unless a purchaser arranges for the transfer of its Discount Notes to another Holding Institution. Payment of the purchase

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price for Discount Notes and payment of Discount Notes at maturity are to be made in immediately available funds to accounts of Holding Institutions.

The Discount Notes are not obligations of any government.

The validity and the terms and conditions of the Discount Notes will be governed by the law of the State of New York.

### **Book-entry System**

The Federal Reserve Bank of New York will take delivery of and hold Discount Notes as record owner and custodian, but only for other Federal Reserve Banks and Holding Institutions located in the Second Federal Reserve District. Holding Institutions located in other Federal Reserve Districts can hold Discount Notes through their respective Federal Reserve Bank or Branch. A Holding Institution is a depository institution that has an appropriate book-entry account with a Federal Reserve Bank or Branch. Transfers of Discount Notes between Holding Institutions can be made through the Federal Reserve Communications System.

The aggregate holdings of Discount Notes of each Holding Institution will be reflected in the book-entry account of such Holding Institution with its Federal Reserve Bank or Branch. Each Holding Institution, and each other intermediate holder in the chain to the ultimate beneficial owner, will have the responsibility of establishing and maintaining accounts for its customers having interests in Discount Notes. Federal Reserve Banks will be responsible only for maintaining the book-entry accounts of Holding Institutions, effecting transfers on their books and ensuring that payments from the Bank, through the Federal Reserve Bank of New York, are credited to appropriate Holding Institutions. With respect to Discount Notes, Federal Reserve Banks will act only on the instructions of Holding Institutions for which they maintain such Discount Notes. The Federal Reserve Banks will not record pledges of Discount Notes.

The Bank will not impose fees in respect of Discount Notes. However, owners of Discount Notes may incur fees payable in respect of the maintenance and operation of the book-entry accounts in which such Discount Notes are held.

### **United States Membership in the Bank**

The United States became a shareholder of the Bank pursuant to an Act of Congress (Bretton Woods Agreements Act, 22 U.S.C. §§ 286 et seq.). The United States is the Bank's largest shareholder, having 16.83% of its shares and 16.36% of the total voting power at June 30, 2010. The United States is represented on the Bank's Board of Governors by the Secretary of the Treasury. The United States also selects one of the Bank's 24 Executive Directors, who is appointed by the President of the United States with the advice and consent of the Senate. The Bank is an instrumentality of its member governments including the United States Government.

## **Eligibility for Investment**

The Discount Notes may be accepted as security for all fiduciary, trust, and public funds, the investment or deposit of which are under the authority and control of the United States or any officers thereof (31 C.F.R. § 202.6(b)). The Discount Notes are also acceptable as collateral for Treasury tax and loan accounts, subject to applicable margin adjustments (31 C.F.R. § 203.21(d)).

National banks and state member banks of the Federal Reserve System may, under Federal law, deal in the Discount Notes without limitation and may hold Discount Notes for their own account subject to a limit of 10% of their unimpaired capital and surplus (12 U.S.C. § 24 (Seventh)). Surplus and reserve funds of Federal Home Loan Banks may be invested in the Discount Notes if obligations of the Bank are eligible investments for fiduciary and trust funds under the laws of the state where the Federal Home Loan Bank is located (12 U.S.C. §§ 1431(h) and 1436(a)).

## **Approval of the United States Government**

As required by its Articles of Agreement (Articles), the Bank has obtained the approval of the United States Government for the raising of funds in or outside the United States through the issuance of the Discount Notes.

## **Status Under Securities Acts**

Under the provisions of Section 15(a) of the Bretton Woods Agreements Act, as amended, the Discount Notes are exempted securities within the meaning of Section 3(a)(2) of the Securities Act of 1933, as amended, and Section 3(a)(12) of the Securities Exchange Act of 1934, as amended.

## **Validity of the Discount Notes**

The validity of the Discount Notes have been passed upon by the Chief Counsel, Finance of the Bank and by Sullivan & Cromwell LLP, counsel for the Dealers, who, with respect to certain matters, have relied upon the opinion of the counsel of the Bank. The opinions of counsel of the Bank and of Sullivan & Cromwell LLP are conditioned upon, and subject to certain assumptions regarding, future action required to be taken by the Bank in connection with the issuance and sale of any particular Discount Note and other matters which cannot be ascertained on the date of their opinions.

## **Use of Proceeds**

The net proceeds to the Bank from the sale of Discount Notes will be used in the general operations of the Bank.

## **Tax Matters**

The following is a summary of the provisions of the Articles affecting the taxation of Discount Notes and of certain anticipated United States Federal income, withholding and estate tax consequences resulting from the ownership of Discount Notes. This is a limited summary based upon certain generally applicable United States Federal income, withholding and estate tax laws as now in effect and as currently interpreted and does not include any description of the tax laws of any state, local or foreign government that may apply. It is not intended as tax advice to any person, and all persons considering the purchase of Discount Notes should consult their own tax counsel or other expert.

Discount Notes and the interest and original issue discount (OID) thereon generally will be subject to taxation, including United States Federal income and estate taxation. Under the Internal Revenue Code of 1986, as amended (the Code), a United States citizen or resident alien individual, as well as a United States domestic corporation, trust or estate, will be taxable on the interest and OID accrued or received with respect to Discount Notes depending on such taxpayer's method of accounting and any special rules applicable to such taxpayer. Accrual-basis taxpayers generally will be required to include OID in income ratably over the period in which a Discount Note is held, under methods provided in the Code. For cash-basis taxpayers generally, OID will not be subject to ratable inclusion, but gain on the sale or redemption of Discount Notes will be treated as ordinary income to the extent of the OID attributable to the period during which the selling taxpayer held such Discount Notes.

The United States Internal Revenue Service (the IRS) has issued to the Bank rulings dated May 4, 1988 and May 5, 1989 (the Rulings) regarding certain United States tax consequences under the Code of the receipt of interest on securities issued by the Bank. The Rulings provide that interest paid by the Bank on such securities, including amounts attributable to OID, constitutes income from sources outside the United States.

Under the Rulings, the Bank's payments of interest, including amounts attributable to OID, ordinarily would not be subject to United States Federal income tax, if paid to a non-U.S. person, including nonresident alien individual (or foreign estate or trust) or to a foreign corporation. However, absent any special statutory or treaty exception, such payments would be subject to United States Federal income tax if: (a) such payments are derived by such person in the active conduct of a banking, financing or similar business within the United States or are received by a corporation the principal business of which is trading in stock or securities for its own account, and in either case such payments are attributable to an office or other fixed place of business of such person within the United States; or (b) such person is a foreign corporation taxable as an insurance company carrying on a United States insurance business and such payments are attributable to its United States business.

The Bank's Articles provide that the Bank's securities and interest, if any, thereon are not subject to any tax by a member (a) which tax discriminates against the securities solely because they are issued by the Bank or (b) if the sole jurisdictional basis for the tax is the place or currency in which the securities are issued, made payable or paid, or the

location of any office or place of business maintained by the Bank. The imposition of United States Federal income tax in the manner described above is consistent with the Bank's Articles.

Under its Articles, the Bank is not under any obligation to withhold or pay any taxes on any interest on the securities it issues. The Rulings accordingly determined that neither the Bank nor an agent appointed by it for the purpose of paying interest on securities issued by the Bank is required to withhold tax on interest paid by the Bank. Thus, payments of interest and accrued OID on Discount Notes will be made by the Fiscal Agent without deduction in respect of any such tax.

Furthermore, neither the Bank nor, under regulations effective January 1, 2001, the Fiscal Agent is subject to the reporting requirements that are imposed by United States tax law with respect to certain payments of interest and principal and accruals of OID on debt obligations. Neither the Bank nor the Fiscal Agent is required to implement backup withholding with respect to such payments and accruals. However, the Fiscal Agent may file information returns with the IRS with respect to such payments and accruals of OID within the United States to certain non-corporate United States persons as if such returns were required of it.

In addition, brokers, trustees, custodians and other intermediaries within the United States are subject to the reporting and backup withholding requirements with respect to certain payments of interest and principal and accruals of OID on Discount Notes held for the account of certain non-corporate United States persons. Foreign persons holding Discount Notes within the United States through such intermediaries may be required to establish their status in order to avoid information reporting and backup withholding of tax by such intermediaries in respect of payments and accruals on such Discount Notes.

In the case of United States Federal estate tax, the Rulings determined that, unless an applicable death tax convention with a foreign country provides otherwise, securities of the Bank are deemed to be situated outside the United States for purposes of the United States Federal estate tax and are not includable in the value of the gross estate for purposes of such tax in the case of the estate of a nonresident of the United States who was not a citizen of the United States.

## **Availability of Information**

The Bank publishes:

- (a) generally in September in each year, an information statement (Information Statement) which describes the Bank, its capital, operations, administration, Articles and legal status. The Information Statement includes the Bank's audited annual financial statements;
- (b) annual audited financial statements;
- (c) an annual report; and
- (d) unaudited quarterly financial statements.

The Bank is subject to certain informational requirements of Regulation BW, promulgated by the Securities and Exchange Commission (the Commission) under Section 15(a) of the Bretton Woods Agreements Act as amended, and in accordance therewith files with the Commission its unaudited quarterly and audited annual financial statements and its most recent Information Statement and annual report (collectively, the Bank Information).

The Bank Information is filed with the Commission electronically through the EDGAR system and may be obtained at the Internet address: [www.sec.gov/edgar.shtml](http://www.sec.gov/edgar.shtml). The Bank Information may be inspected and copies may be obtained (at prescribed rates) from the Commission at 100 F Street, N.E., Washington, DC 20549. Copies of the Bank Information also will be available without charge upon written or telephone request to the office of the Bank at 1818 H Street, NW, Washington, DC 20433; Tel: 1-202-477-2880.

## **Incorporation by Reference**

The Information Statement dated September 22, 2010 and any Information Statement and any quarterly or annual financial statements filed by the Bank pursuant to Regulation BW subsequent to September 22, 2010 and prior to the termination of the offering of Discount Notes under this Offering Circular shall be deemed to be incorporated by reference into this Offering Circular and to be a part hereof.

Any statement contained in a document which is incorporated by reference herein shall be deemed to be modified or superseded for the purpose of this Offering Circular to the extent that a statement contained herein modifies or supersedes such earlier statement (whether expressly, by implication or otherwise). Any statement so modified or superseded shall not be deemed, except as so modified or superseded, to constitute a part of this Offering Circular.