

INFORMATION NOTE

**ESTABLISHMENT OF
THE HONG KONG SUB-OFFICE OF
THE RESIDENT REPRESENTATIVE OFFICE OF
THE INTERNATIONAL MONETARY FUND IN CHINA
AND
THE JOINT REGIONAL OFFICE FOR
THE INTERNATIONAL FINANCE CORPORATION AND
THE INTERNATIONAL BANK
FOR RECONSTRUCTION AND DEVELOPMENT**

INTRODUCTION

1 This Note provides information on the establishment in Hong Kong of:

- (a) the Hong Kong Sub-Office of the Resident Representative Office of the International Monetary Fund (IMF) in China; and
- (b) the Joint Regional Office for the International Finance Corporation (IFC) and the International Bank for Reconstruction and Development (IBRD).

BACKGROUND

2 The IMF was established in 1945 with main objectives of promoting international monetary co-operation and exchange stability, and assisting its members to address balance of payments problems. The IMF lends to countries with balance of payments problems and prescribes corrective policy measures to restore balance.

3 The IMF currently has 75 resident representative offices worldwide, primarily in places where it has either a lending programme or heavy commitments on technical assistance. One of these offices is located in Beijing.

4 The IBRD and the IFC, established in 1945 and 1956 respectively, are both members of the World Bank Group. The major role of the IBRD is to assist the economic and social development of developing countries by providing loans, as well as advice and technical assistance. It also promotes private foreign investment by means of guarantees or participation in loans and other investments made by private investors. The IFC, on the other hand, encourages private sector activities by offering financing to companies in developing countries in the form of lending, equity investments, guarantees and standby financing. To finance their projects, the IFC and the IBRD are active in the international capital markets with bond issues, loan syndication and underwriting of corporate securities issues. They are also active issuers of Hong Kong dollar bonds.

5 Not being a member of the IMF, IFC or IBRD, Hong Kong has been participating in the activities of these three institutions as part of the UK delegation prior to 1 July 1997, and as part of the PRC delegation thereafter.

IMF Sub-Office in Hong Kong

6 Following the Asian financial crisis, the IMF has decided to enhance its presence in Asia by establishing a Sub-Office in Hong Kong. This Sub-Office is a subsidiary unit of the IMF Resident Representative Office in Beijing. Its main responsibilities are to gather information on financial and monetary developments in Asia and analyse their impact on Hong Kong.

Joint Regional Office of IFC and IBRD

7 In line with the World Bank Group's decentralisation objective, the IFC and the IBRD have decided to establish a joint regional office in Hong Kong. The office will serve as a regional management office for the IFC's operations and the IBRD's Private Sector Development activities in East Asia and Pacific. The IFC and the IBRD have considered other cities in the region as possible locations but preferred to open the office in Hong Kong. This is because we are conveniently located in the region and we have deep financial markets and free flow of information to facilitate their activities in the region, particularly the mainland of China, its major client in Asia.

8 These two offices will commence operation following signing of the formal documents setting out the terms and facilities to be granted, including the relevant privileges and immunities in accordance with the Articles of Agreements of these institutions and the United Nations Convention on the Privileges and Immunities of the Specialised Agencies (1947).

Implications for Hong Kong

9 The establishment of the IMF Sub-Office and the IFC/IBRD Joint Regional Office will bring the following benefits to Hong Kong –

- (a) along with the Asian Office of the Bank for International Settlements, the establishment of the IMF Sub-Office and the IFC/IBRD Joint Regional Office in Hong Kong will reinforce our position as a major international financial centre;
- (b) the IMF Sub-Office would enhance the IMF's understanding and analysis of economic and financial issues in Hong Kong and the implications of regional developments for Hong Kong; and
- (c) the establishment of the IFC/IBRD Joint Regional Office would facilitate the IFC's fund raising activities in Hong Kong and help stimulate private sector investment in the region (the mainland of China in particular).

ENQUIRIES

10 Enquiries concerning this Information Note should be directed to Mr Arthur Yuen, Head (External Relations), and Mr Thomas Chan, Senior Manager, of the Hong Kong Monetary Authority at 2878 1665 and 2878 1480 respectively.

Financial Services Bureau
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