

立法會
Legislative Council

LC Paper No. CB(4)720/15-16(02)

Ref: CB4/SS/2/15

**Subcommittee on International Organizations (Privileges and Immunities)
(ASEAN+3 Macroeconomic Research Office) Order**

Background brief

Purpose

This paper provides background information on the International Organizations (Privileges and Immunities) (ASEAN+3 Macroeconomic Research Office) Order ("the Order"), and summarizes the major views and concerns expressed by the Panel on Financial Affairs ("FA Panel") on Hong Kong's participation in the Chiang Mai Initiative Multilateralisation ("CMIM") in recent years.

Background

Hong Kong's participation in the Chiang Mai Initiative Multilateralisation

2. CMIM is a regional joint-defence mechanism that provides short-term US dollar liquidity support through currency swap transactions to its participants when facing balance of payments and liquidity difficulties. With the support of the Central People's Government, Hong Kong, using the name "Hong Kong, China", has been participating in CMIM since its establishment in March 2010 under the aegis of ASEAN+3¹. According to the Administration, Hong Kong's participation in CMIM is of strategic importance to its financial markets as CMIM seeks to maintain financial stability and help contain any possible financial contagion in the region. Hong Kong has undertaken to commit US\$8.4 billion (or 3.5% of the current total CMIM size of US\$240

¹ The participating economies of CMIM comprise 10 ASEAN member states (Brunei Darussalam, Cambodia, Indonesia, Lao PDR, Malaysia, Myanmar, the Philippines, Singapore, Thailand, and Vietnam), as well as the People's Republic of China, Japan and the Republic of Korea, and Hong Kong.

billion) through the Exchange Fund ("EF"), and is entitled to borrow up to US\$6.3 billion². The commitment will not be paid upfront but will only be callable on activation of a currency swap transaction under CMIM. So far, there has been no request to activate the emergency liquidity facility of CMIM.

Establishment of the ASEAN+3 Macroeconomic Research Office

3. Under CMIM Agreement, the participating parties have agreed to establish the ASEAN+3 Macroeconomic Research Office ("AMRO") as a surveillance unit to support the implementation of CMIM and monitor the macroeconomic status and financial soundness of all CMIM parties. AMRO was set up in Singapore in 2011 as a company limited by guarantee. In order for AMRO to function effectively as an independent macroeconomic surveillance unit for the region, Hong Kong and other CMIM participants signed the AMRO Agreement on 10 October 2014 which provides for, among other things, the establishment of AMRO as an international organization. Under AMRO Agreement, each member of AMRO, including Hong Kong, has agreed to recognize AMRO's legal status, as well as implement certain provisions relating to privileges and immunities on AMRO and its personnel, pursuant to the AMRO Agreement, in its respective jurisdiction.

The International Organizations (Privileges and Immunities) (ASEAN+3 Macroeconomic Research Office) Order

4. The Order was published in the Gazette on 19 February 2016. The Order, which was made by the Chief Executive in Council under section 3 of the International Organizations (Privileges and Immunities) Ordinance (Cap. 558), seeks to recognize the legal status of AMRO in the Hong Kong Special Administrative Region, and implement the privileges and immunities as provided under AMRO Agreement in Hong Kong's legal framework. Details of the Order are set out in paragraph 6 of the Legislative Council Brief (File Ref: G10/34/9C), and paragraph 7 of the Legal Service Division Report (LC Paper No. LS36/15-16).

5. The Order was tabled before the Legislative Council ("LegCo") at its meeting of 24 February 2016 and is subject to the negative vetting procedure. The Order will come into operation on 27 April 2016.

² Hong Kong's commitment was US\$4.2 billion when it participated in CMIM in March 2010. The commitment was increased to US\$8.4 billion in May 2012 with the increase in the total size of CMIM from US\$120 billion to US\$240 billion. The amount that Hong Kong is entitled to borrow also increased from US\$2.1 billion to US\$6.3 billion.

Major views and concerns expressed by members of the Panel on Financial Affairs

6. On 8 January 2016, the Administration provided an information paper³ to FA Panel explaining its plan to table the Order before LegCo in the first quarter of 2016. The matter was not discussed by FA Panel.

7. The Administration and the Hong Kong Monetary Authority ("HKMA") consulted FA Panel on Hong Kong's participation in CMIM on 2 November 2009. HKMA provided an information paper in May 2012 to update members on the increase in the size of CMIM and Hong Kong's commitment. The major views and concerns expressed by Panel members at the meeting on 2 November 2009 are summarized in the ensuing paragraphs.

Benefits of Hong Kong's participation in the Chiang Mai Initiative Multilateralisation

8. While some members expressed support for Hong Kong's participation in CMIM for maintaining stability of the financial and monetary systems of Hong Kong, some members questioned the real benefits for Hong Kong as Hong Kong would be unlikely to borrow through the liquidity arrangement of CMIM given its substantial foreign reserves held.

9. HKMA pointed out that the establishment of CMIM was a powerful demonstration to international markets of the determination of the regional economies to work together to overcome short-term liquidity issues in preventing contagion risks on the financial systems and promoting overall financial stability in the region. Hong Kong as one of the participating economies could seek short-term liquidity support under CMIM in the event of speculative attacks on its financial and monetary systems. Hong Kong's participation in CMIM had substantial practical and symbolic importance to its financial stability.

Modality of Hong Kong's participation in the Chiang Mai Initiative Multilateralisation

10. Some members expressed concern about Hong Kong's representation and involvement in the discussions on CMIM as Hong Kong was not a member of the ASEAN+3. They enquired whether Hong Kong's representation in the process was in line with its role, i.e. using the name "Hong Kong, China" when participating in international organizations and conferences, as stipulated in Articles 151 and 152 of the Basic Law.

³ The information paper was circulated to members vide LC Paper No. CB(1)430/15-16(01) on 12 January 2016.

11. HKMA advised that Hong Kong had participated in the CMIM discussions as a member of the Chinese delegation. The Central People's Government had consulted Hong Kong on the modality of participation before reaching agreement with other ASEAN+3 members on the main components of CMIM. In response to members' request, HKMA provided supplementary information on the participation of Hong Kong representatives in the relevant meetings of ASEAN+3 and/or its working groups⁴.

12. There was concern about the lack of consultation with LegCo on the modality of Hong Kong's participation in CMIM before the Administration reached agreement with the ASEAN+3 Finance Ministers on the details in May 2009. Some members also questioned the propriety for the Financial Secretary ("FS") to endorse the financial commitment to CMIM without seeking prior approval of LegCo. These members stressed the importance for the Administration to enhance transparency of the discussion process in relation to international cooperation initiatives and in the utilization of EF.

13. HKMA advised that it had provided a brief report to FA Panel on Hong Kong's participation in CMIM during the briefing on HKMA's work at the Panel meeting on 21 May 2009. On the funding arrangement, HKMA advised that FS' endorsement of the commitment via EF was made in accordance with section 3(1A) of the Exchange Fund Ordinance (Cap. 66), which empowered FS to use the Fund as he thought fit for maintaining the stability and integrity of the monetary and financial systems of Hong Kong. LegCo's approval was not required for the use of EF. HKMA further clarified that Hong Kong's financial contribution for CMIM was not a donation but a commitment for lending to provide liquidity support through a network of bilateral swap arrangements. Interest would be charged on the borrower at the prevailing market rate.

Recent development

14. At the House Committee meeting on 26 February 2016, Members agreed to form a subcommittee to examine the Order.

Relevant papers

15. A list of relevant papers is in the **Appendix**.

Council Business Division 4
Legislative Council Secretariat
15 March 2016

⁴ LC Paper No. CB(1)525/09-10(01) circulated to members on 1 December 2009.

List of relevant papers

Date	Event	Paper/minutes of meeting
21 May 2009	The Panel on Financial Affairs ("FA Panel") was briefed by the Hong Kong Monetary Authority ("HKMA") on its work, including Hong Kong's participation in the Chiang Mai Initiative Multilateralisation ("CMIM")	HKMA's paper (LC Paper No. CB(1)1594/08-09(01)) Minutes (LC Paper No. CB(1)2627/08-09)
2 November 2009	FA Panel was briefed by the Administration and HKMA on Hong Kong's participation in CMIM	The Administration's paper (LC Paper No. CB(1)145/09-10(06)) Minutes (LC Paper No. CB(1)526/09-10) Follow-up paper provided by HKMA (LC Paper No. CB(1)525/09-10(01))
3 May 2012	The Administration provided an information paper to FA Panel to update members on the increase in the size of CMIM and Hong Kong's commitment	The Administration's paper (LC Paper No. CB(1)1769/11-12(01))
8 January 2016	The Administration provided a paper regarding its plan to make the International Organizations (Privileges and Immunities) (ASEAN+3 Macroeconomic Research Office) Order ("the Order") in the first quarter of 2016	Administration's paper (LC Paper No. CB(1)430/15-16(01))

Date	Event	Paper/minutes of meeting
24 February 2016	The Order was tabled at the Council Meeting	Content of the subsidiary legislation (L.N. 35 of 2016) Legislative Council Brief (File Ref: G10/34/9C) Legal Service Division Report (LC Paper No. LS36/15-16)