

For information

**Legislative Council Panel on Financial Affairs**

**Follow-up actions arising from the meeting on 16 March 2017**

**Hong Kong's participation and membership in  
the Asian Infrastructure Investment Bank**

This note provides information on matters as requested by Members at the Panel on Financial Affairs meeting held on 16 March 2017.

*Costs and benefits of Hong Kong's participation in the Asian Development Bank*

2. In addition to the initial capital subscription in 1969, Hong Kong has subscribed to all the five subsequent general capital increases of the Asian Development Bank ("ADB"). The total value of the paid-in capital amounted to around US\$40 million as at end-2015. Over the years, Hong Kong has also contributed around US\$115 million to ADB's Asian Development Fund for supporting poverty reduction in the region.

3. As it has been ADB's decision so far to retain its income to fund its operations in providing assistance to developing members, Hong Kong has not received any dividend from its shareholdings in ADB. Hong Kong, however, has benefited from ADB's lending programmes in the period from 1972 to 1980, during which Hong Kong obtained five loans totalling US\$101.5 million from ADB to finance various infrastructure projects<sup>1</sup>. Hong Kong has also derived indirect benefits to the extent that firms in Hong Kong are able to bid for ADB projects. As at end-2015, Hong Kong firms have been awarded ADB-financed projects such as procurement contracts and consultancy services worth US\$961.97 million in total.

4. Monetary benefits aside, Hong Kong's close relationship with ADB has also helped foster closer cooperation with other economies and reinforce our status as an international financial centre. For example, ADB

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<sup>1</sup> The loans from ADB were used to finance construction of public housing projects (Shatin Urban Development (Housing) Project (Wo Che Estate and Sha Kok Estate) and the second Shatin Urban Development Project (part of the development of Shatin New Town and the construction of Mei Lam Estate)), sewage (Shatin Sewage Treatment Plant Stage 1), polyclinic (Shatin Hospital Polyclinic Project) and other infrastructure projects (Lok On Pai Sea Water Desalting Plant).

is a partner of the Infrastructure Financing Facilitation Office (“IFFO”), which was set up by the Hong Kong Monetary Authority, and has been actively participating in IFFO’s activities. This partnership has contributed to the strengthening of Hong Kong’s capacity in infrastructure investing and financing.

### *Governance of the Asian Infrastructure Investment Bank (“AIIB”)*

#### Powers, composition and voting of the Board of Governors (“BoG”)

5. The BoG is the highest decision-making body of the AIIB, as all powers of the AIIB are vested therewith<sup>2</sup>. The BoG may delegate its powers to the Board of Directors (“BoD”) except for matters reserved exclusively for the BoG, e.g. admission of new members (see Article 23(2) of the AoA).

6. The current composition of the BoG of the AIIB is at Annex A. Each Governor shall be entitled to cast the votes of the member he represents<sup>3</sup>.

7. In general, all matters are to be decided by a majority of the votes cast<sup>4</sup>. Certain matters required a decision reaching a specified threshold. There are two such thresholds in the AoA: a Super Majority<sup>5</sup> and a Special Majority<sup>6</sup>. For example, the AIIB’s president must be elected by a Super Majority<sup>7</sup>, and the deadline for the ratification, acceptance and approval of the AoA by founding signatories may be extended by a Special Majority<sup>8</sup>. Indeed, the deadline is so extended to 31 December 2017 to allow certain signatories more time to complete their internal processes<sup>9</sup>.

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<sup>2</sup> See Article 23 (1) of the the Articles of Agreement of the AIIB (“AoA”).

<sup>3</sup> See Article 28 (2) of the AoA.

<sup>4</sup> See Article 28 (2)(i) of the AoA.

<sup>5</sup> A Super Majority vote of the BoG shall require an affirmative vote of two-thirds of the total number of Governors, representing not less than three-fourths of the total voting power of the members (Article 28 (2)(ii) of the AoA).

<sup>6</sup> A Special Majority vote of the BoG shall require an affirmative vote of a majority of the total number of Governors, representing not less than a majority of the total voting power of the members (Article 28 (2)(iii) of the AoA).

<sup>7</sup> See Article 29 (1) of the AoA.

<sup>8</sup> See Article 58 (1) of the AoA.

<sup>9</sup> See <https://www.aiib.org/en/about-aiib/governance/board-governors/index.html>; resolution 20 of the AIIB’s BoG dated 28 November 2016.

## Powers, composition, and voting of the BoD

8. The BoD is responsible for “the direction of the general operations” of the AIIB, e.g. establishing AIIB’s policies; making, co-financing or participating in direct loans; investing in the equity capital of an institution or enterprise; supervising the management of the AIIB; approving the strategy, annual plan, budget of the AIIB; and submitting the audited accounts to the BoG for approval<sup>10</sup>.

9. The current composition of the BoD of the AIIB is at Annex B. According to Article 25 of the AoA, the BoD shall be composed of 12 members, nine of whom elected by the Governors representing regional members<sup>11</sup> of the AIIB and three of whom elected by the Governors representing non-regional members. Each Director shall appoint an Alternate Director with full power to act for him when the Director is not present. Currently, Directors who cast the votes of five or more members are entitled to appoint an additional Alternate Director<sup>12</sup>. Each Director is entitled to appoint three Advisors as observers who can also sit in a BoD meeting<sup>13</sup>.

10. According to the AIIB’s Rules of Procedures of the BoD, the Chairman (i.e. AIIB’s President) shall ordinarily ascertain and announce to the meeting the sense of the meeting with regard to any matter and the Board shall be deemed to have acted in accordance with the announcement by the Chairman without the necessity of taking a formal vote<sup>14</sup>. In case of a formal vote, a matter before the BoD is decided by a majority of the voting power of the votes cast<sup>15</sup>. Each Director shall be entitled to cast the number of votes to which the Governors who have elected him are entitled and those to which any Governors who have assigned their votes to him are entitled<sup>16</sup>. The Chairman shall not exercise any voting power, but shall have a deciding

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<sup>10</sup> See Articles 11(2) and 26 of the AoA.

<sup>11</sup> Hong Kong will be a regional member.

<sup>12</sup> See <https://www.aiib.org/en/about-aiib/governance/board-governors/index.html>; resolution 8 of the AIIB’s BoG dated 16 January 2016.

<sup>13</sup> See section 3(h) of the Rules of Procedure of the BoD. For those constituencies with seven or more members, a Director may designate additional Advisor(s) to the extent that the total number of the Director, Alternate Directors and Advisors does not exceed the number of members within such a constituency.

<sup>14</sup> See section 5(a) of the Rules of Procedures of the BoD.

<sup>15</sup> See section 5(b) of the Rules of Procedure of the BoD.

<sup>16</sup> See Article 28 (3) of the AoA.

vote in the event of an equal division<sup>17</sup>. A Director entitled to cast the votes of more than one member may cast the votes for those members separately<sup>18</sup>. For example, if Hong Kong joins a constituency and assigns our votes to the constituency's Director, we can instruct that Director to cast our votes in accordance with our wish.

#### Hong Kong's representation at the BoG

11. According to Article 22 of the AoA, each member of the AIIB "shall be represented on the Board of Governors and shall appoint one Governor and one Alternate Governor." After Hong Kong has become a member, we will be entitled to appoint a Governor and an Alternate Governor. We will take into account relevant experience when making the appointments. For example, many Governors of the AIIB are also finance ministers of the appointing members<sup>19</sup>.

#### Hong Kong's representation at the BoD

12. The Undersecretary for Financial Services and the Treasury has been an Advisor of the China constituency, and participating in the BoD meetings in that capacity. We have reflected our views and comments on various AIIB's matters through the constituency's Director to the AIIB's BoD. The constituency's Director has also consulted Hong Kong on matters affecting our interests, e.g. the admission process of new members. After joining the AIIB, we plan to join the China constituency. We are confident that Hong Kong's representative can continue to be an Advisor of that constituency, and sit in the BoD meetings as necessary. We envisage that Hong Kong's views and interests will be adequately represented at the BoD under this constructive working relationship.

**Financial Services and the Treasury Bureau**  
**31 March 2017**

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<sup>17</sup> See section 5(a) of the Rules of Procedures of the BoD.

<sup>18</sup> See Article 28 (3)(i) of the AoA.

<sup>19</sup> For reference, the Financial Secretary is the Governor representing Hong Kong at ADB.

## The Board of Governors of the Asian Infrastructure Investment Bank

<b>Members</b>	<b>Governor</b>	<b>Alternate Governor</b>
<b>Australia</b>	Mr. Scott Morrison Treasurer	Ms. Kelly O'Dwyer Minister for Revenue and Financial Services and Assistant Treasurer
<b>Austria</b>	Mr. Hans Jörg Schelling Federal Minister of Finance	Mr. Harald Waiglein Director General for Economic Policy and Financial Markets, Federal Ministry of Finance
<b>Azerbaijan</b>	Mr. Shahin Mustafayev Minister of Economy	Mr. Samir Sharifov Minister of Finance
<b>Bangladesh</b>	Mr. Abul Maal Abdul Muhith Finance Minister	Mr. Kazi Shofiqul Azam Secretary (in-charge) Economic Relations Division, Ministry of Finance
<b>Brunei Darussalam</b>	Mr. Pehin Dato Abd Rahman Ibrahim Minister at the Prime Minister's Office and Minister of Finance II	Mr. Dato Paduka Hisham Mohd Hanifah Deputy Minister of Finance
<b>Cambodia</b>	Dr. AUN Pornmoniroth Senior Minister of Economy and Finance	Mr. Vongsey Vissoth Secretary of the State Ministry of Economy and Finance
<b>China</b>	Mr. Xiao Jie Minister of Finance	Mr. Yaobin Shi Vice Minister of Finance
<b>Denmark</b>	Mr. Anders Samuelsen Minister for Foreign Affairs	Mr. Martin Bille Hermann State Secretary of Ministry of Foreign Affairs
<b>Egypt</b>	Mr. Amr El Garhy Minister of Finance	Dr. Sahar Nasr Minister of International Cooperation
<b>Finland</b>	Mr. Petteri Orpo Minister of Finance	Mr. Tuomas Saarenheimo Permanent Under-Secretary
<b>France</b>	Mr. Michel Sapin Minister of Finance and Public Accounts	Ms. Odile Renaud-Basso Director General of the Treasury
<b>Georgia</b>	Mr. Dmitry Kumsishvili Minister of Finance and the First Deputy Prime-Minister	Mr. Giorgi Gakharia Minister of Economy and Sustainable Development
<b>Germany</b>	Mr. Wolfgang Schäuble Minister of Finance	Mr. Thomas Steffen State Secretary at the Ministry of Finance
<b>Iceland</b>	Mr. Benedikt Jóhannesson Minister of Finance and Economic Affairs	Mr. Guðmundur Árnason Permanent Secretary, Ministry of Finance and Economic Affairs

<b>Members</b>	<b>Governor</b>	<b>Alternate Governor</b>
<b>India</b>	Mr. Shri Arun Jaitley Finance Minister	Mr. Shri Shaktikanta Das Secretary of Economic Affairs, Ministry of Finance
<b>Indonesia</b>	Dr. Sri Mulyani Indrawati Minister of Finance	Prof. Bambang P.S. Brodjonegoro Minister of National Development Planning
<b>Iran</b>	Ali Taieb Nia Minister of Economic Affairs and Finance	Mohammad Khazaei Torshizi Vice Minister and President of Organization for Investment, Economic and Technical Assistance
<b>Israel</b>	Mr. Moshe Kahlon Minister of Finance	Mr. Yoel Naveh Chief Economist of the Ministry of Finance
<b>Italy</b>	Mr. Pier Carlo Padoan Minister of the Economy and Finance	Mr. Filippo Giansante Director in the Directorate for International Financial Relations, Ministry of the Economy and Finance
<b>Jordan</b>	Mr. Imad Najib Fakhoury Minister of Planning and International Cooperation	Dr. Saleh Al-Kharabsheh Secretary General of the Ministry of Planning and International Cooperation
<b>Kazakhstan</b>	Mr. Kuandyk Bishimbayev Minister of National Economy	Mr. Zhenis Kassymbek First Vice Minister of Investments and Development
<b>Korea, Republic of</b>	Mr. Ilho Yoo Deputy Prime Minister and Minister of Strategy and Finance	Mr. Juyeol Lee Governor of the Bank of Korea
<b>Kyrgyz Republic</b>	Mr. Adylbek Kasymaliev Minister of Finance	Mr. Arzybek Kojoshev Minister of Economy
<b>Laos</b>	Mr. Somdy Douangdy Deputy Prime Minister and Minister of Finance	Ms. Thipphakone Chanthavongsa Vice Minister of Finance
<b>Luxembourg</b>	Mr. Pierre Gramegna Minister of Finance	Mr. Arsène Jacoby Director of the Multilateral Affairs, Development and Compliance Department Ministry of Finance
<b>Maldives</b>	Dr. Mohamed Muizzu Minister of Housing and Infrastructure	Mr. Ahmed Munawar Minister of State for Finance and Treasury
<b>Malta</b>	Prof. Edward Scicluna Minister for Finance	Prof. Josef Bonnici Governor of the Central Bank of Malta
<b>Mongolia</b>	Mr. Choijilsuren Battogtokh Minister of Finance	Mr. Nyamaa Buyantogtokh State Secretary Ministry of Finance

<b>Members</b>	<b>Governor</b>	<b>Alternate Governor</b>
<b>Myanmar</b>	Mr. U Kyaw Win Union Minister for Finance	Mr. Maung Maung Win Deputy Minister for Planning and Finance
<b>Nepal</b>	Mr. Krishna Bahadur Mahara Deputy Prime Minister and Finance Minister	Mr. Shanta Raj Subedi Finance Secretary
<b>Netherlands</b>	Mr. Jeroen Dijsselbloem Finance Minister	Mr. Hans Vijlbrief Treasurer General Ministry of Finance
<b>New Zealand</b>	Mr. Steven Joyce Minister of Finance	Mr. Gabriel Makhoul Secretary to the Treasury
<b>Norway</b>	Mr. Børge Brende Minister of Foreign Affairs	Mr. Tone Skogen State Secretary Ministry of Foreign Affairs
<b>Oman</b>	Mr. Darwish Ismail Al Balushi Minister Responsible for Financial Affairs	Mr. Abdul Sallam Mohamed Al Murshidi Executive President of the State General Reserve Fund
<b>Pakistan</b>	Mr. Muhammad Ishaq Dar Minister of Finance, Revenue, Economic Affairs, Statistics and Privatization	Mr. Tariq Mahmood Pasha Secretary, Economic Affairs Division, Ministry of Finance, Revenue, Economic Affairs, Statistics and Privatization
<b>Philippines</b>	Mr. Carlos G. Dominguez Department of Finance Secretary	Mr. Roberto B. Tan Treasurer
<b>Poland</b>	Mr. Mateusz Morawiecki Deputy Prime Minister and Minister of Economic Development and Finance	Mr. Pawel Samecki Member of the Management Board of Narodowy Bank Polski
<b>Portugal</b>	Mr. Mário Centeno Finance Minister	Mr. Jorge Costa Oliveira Secretary of State of Internationalization
<b>Qatar</b>	Mr. Ali Shareef Al Emadi Minister of Finance	Mr. Khalaf Ahmed Al Mannai Undersecretary of the Ministry of Finance
<b>Russia</b>	Mr. Maksim S. Oreshkin Minister of Economic Development of the Russian Federation	Mr. Sergey Storchak Deputy Minister of Finance of the Russian Federation
<b>Saudi Arabia</b>	Mr. Mohammed Aljadaan Minister of Finance	Eng. Yousef Ibrahim Al-Bassam Vice-Chairman & Managing Director of Saudi Fund for Development
<b>Singapore</b>	Mr. Heng Swee Keat Minister of Finance	Ms. Tan Ching Yee Permanent Secretary (Finance) Ministry of Finance

<b>Members</b>	<b>Governor</b>	<b>Alternate Governor</b>
<b>Sri Lanka</b>	Mr. Ravindra Karunanayake Minister of Finance	Dr. R H S Samaratunga Secretary to the Treasury
<b>Sweden</b>	Ms. Magdalena Andersson Minister for Finance	Ms. Karolina Ekholm State Secretary, Ministry of Finance
<b>Switzerland</b>	Mr. Johann N. Schneider- Ammann Head of the Federal Department of Economic Affairs, Education and Research	Mr. Didier Burkhalter Head of the Federal Department of Foreign Affairs
<b>Tajikistan</b>	Mr. Hamralizoda Farrukh Mahmud Independent member of the National Bank of Tajikistan	Mr. Vafobekov Khursand First Vice-Chairman of the State Committee on Investments and State Property Management
<b>Thailand</b>	Mr. Apisak Tantivorawong Minister of Finance	Dr. Somchai Sujjapongse Permanent Secretary of Ministry of Finance
<b>Turkey</b>	Mr. Osman Çelik Undersecretary of Treasury	Mr. Ahmet Genç Deputy Undersecretary of Treasury
<b>United Arab Emirates</b>	Dr. Sultan Ahmed Al Jaber Minister of State	Mr. Mohammed Saif Al Suwaidi Director General of Abu Dhabi Fund for Development
<b>United Kingdom</b>	Mr. Philip Hammond Chancellor of the Exchequer and First Secretary of State	Mr. Mark Bowman Director-General International and EU HM Treasury
<b>Uzbekistan</b>	Mr. Rustam Azimov Minister of Finance	Mr. Ravshan Gulyamov Executive Director, Uzbekistan Fund for Reconstruction and Development
<b>Vietnam</b>	Mr. Le Minh Hung Governor of State Bank of Viet Nam	Ms. Nguyen Thi Hong Deputy Governor of State Bank of Viet Nam

Note: The following founding signatories to the AIIB's Articles of Agreement are in the process of completing the Bank's membership process: Brazil, Kuwait, Malaysia, South Africa and Spain.



# The Board of Directors of the Asian Infrastructure Investment Bank

(as at 10 February 2017)

<b>Constituency Member(s)</b>	<b>Directors</b>
China	Shixin CHEN (China)  <u>Alternate Director:</u> WU Guoqi (China)
India	Dinesh SHARMA (India)  <u>Alternate Director:</u> Raj KUMAR (India)
Iran Kazakhstan Russia Tajikistan	Timur MAKSIMOV (Russia)  <u>Alternate Director:</u> Nurym Ayazbayev (Kazakhstan)
Australia New Zealand Singapore Vietnam	Christopher LEGG (Australia)  <u>Alternate Director:</u> Alvin LIM (Singapore)
Israel Republic of Korea Mongolia Uzbekistan	Yoon Kyung KIM (Korea)  <u>Alternate Director:</u> Yoel NAVEH (Israel)
Jordan Oman Saudi Arabia United Arab Emirates (UAE) Kuwait Qatar	Sulaiman M. AL-TURKI (Saudi Arabia)  <u>Alternate Directors:</u> Adel AL HOSANI (UAE) Bader Ahmed AL-QAYED (Qatar)
Bangladesh Malaysia Maldives Nepal Philippines Thailand	BOONCHAI Charassangsomboon (Thailand)  <u>Alternate Director:</u> Shah Md. Aminul Haq (Bangladesh)
Cambodia Indonesia	Rionald SILABAN (Indonesia)

<b>Constituency Member(s)</b>	<b>Directors</b>
Lao People's Democratic Republic Myanmar Sri Lanka	<u>Alternate Directors:</u> Angkhansada MOUANGKHAM (Laos) Priyantha RATHNAYAKE (Sri Lanka)
Azerbaijan Brunei Darussalam Georgia Kyrgyz Republic Pakistan Turkey	Ömer Ethem BAYAR (Turkey)  <u>Alternate Directors:</u> Humaira AHMED (Pakistan) Konul ALIYEVA (Azerbaijan)
Denmark Iceland Norway Poland Sweden Switzerland United Kingdom	Vanessa MACDOUGALL (United Kingdom)  <u>Alternate Directors:</u> Radek PYFFEL (Poland) Michelle GYSIN (Switzerland)
Austria Finland France Germany Luxembourg Malta Netherlands Italy Portugal Spain	Nikolai PUTSCHER (Germany)  <u>Alternate Directors:</u> Philippe BAUDRY (France) Irene JANSEN (Netherlands)
Brazil Egypt South Africa	Ahmed KOUCHOUK (Egypt)