

**Press Release**

**LCQ2: Asian Infrastructure Investment Bank**

Wednesday, April 29, 2015

Following is a question by the Hon Ng Leung-sing and a written reply by the Secretary for Financial Services and the Treasury, Professor K C Chan, in the Legislative Council today (April 29):

Question:

Twenty-one Asian countries including China, India and Singapore, signed in October last year the Memorandum of Understanding on Establishing the Asian Infrastructure Investment Bank for the establishment of the Asian Infrastructure Investment Bank (AIIB). It has been reported that as at April 15 this year, a total of 57 countries were included as the prospective founding members of AIIB, including European countries such as the United Kingdom. In this connection, will the Government inform this Council:

- (1) whether it has assessed the impact of the establishment of AIIB on Hong Kong as an international financial centre; if it has, of the results;
- (2) of the latest progress regarding Hong Kong's application for joining AIIB; and
- (3) whether it has assessed the specific functions to be performed by Hong Kong in AIIB; if it has, of the results?

Reply:

President,

The Asian Infrastructure Investment Bank (AIIB) is an open and inclusive multilateral development institution. The AIIB is integrally related to the national strategy of the Silk Road Economic Belt and the 21st Century Maritime Silk Road, and plays an important role in supporting infrastructure development in and promoting connectivity among the AIIB members along the Belt and Road.

At present, 57 prospective founding members, including China, are discussing the draft Articles of Agreement for the establishment of the AIIB, including the procedures and rules for admission of new members. The work is to be completed by end June 2015 and the AIIB is targeted to commence operation by end 2015.

My reply to the question raised by Hon Ng Leung-sing is as follows:

(1) and (3) The HKSAR Government has examined the feasibility and potential benefits of Hong Kong's joining the AIIB. According to a study conducted by the Asian Development Bank, enhancing infrastructure connectivity can deepen and widen the regional production capacity, thereby strengthening the economic growth momentum of Asia in the future.

It is noted that there is enormous demand for infrastructure investment in Asia, and that infrastructure projects generally involve huge capital commitments and a rather long implementation and payback period. Our financing and asset management professionals and various financial products can support the operation of the AIIB in areas such as project financing, bond issuance, investment, financial management and foreign exchange management. As we have experience and talents in managing large-scale works projects; experts in project negotiation, preparation of works and management contracts and international law; as well as professional arbitration services, Hong Kong can take part in the planning, implementation and operation of these projects and is also an ideal place for holding bilateral meetings, contract negotiation and dispute resolution. Our professional services and financial services industries will stand to benefit which will help reinforce our position as an international financial centre.

(2) Last December, the HKSAR Government indicated to the Central Government its intent to join the AIIB and has received positive responses from the Central Government. Representatives of the HKSAR Government attended the Chief Negotiators' Meetings held in late March and late April as members of the Chinese delegation, and contributed to discussions on the Articles of Agreement. We will continue to discuss with the Central Government an appropriate arrangement for Hong Kong to join the AIIB as a non-sovereign territory. The HKSAR Government will report the details to the Legislative Council prior to Hong Kong's joining the AIIB.

Ends