



Hon. Michael Barr, Vice Chair for Supervision  
Board of Governors of the Federal Reserve System  
20th Street and Constitution Avenue, NW  
Washington, DC 20551

Hon. Michael Hsu, Acting Comptroller of the Currency  
Office of the Comptroller of the Currency  
400 7th Street SW  
Washington, DC 20219

Hon. Martin Gruenberg, Chairman  
Federal Deposit Insurance Corporation  
550 17th St NW  
Washington, DC 20429

Re: Multilateral Development Bank Definition (R-1813, RIN 7100–AG64 (Federal Reserve);  
OCC-2023-0008; RIN 3064–AF29 (FDIC))

Dear Vice Chair Barr, Acting Comptroller Hsu, and Chairman Gruenberg,

The Asian Infrastructure Investment Bank (“AIIB”) respectfully submits this comment letter in response to the Notice of Public Rulemaking issued on July 27, 2023 by the Office of the Comptroller of the Currency (“OCC”), the Board of Governors of the Federal Reserve System (“Federal Reserve”), and the Federal Deposit Insurance Corporation (“FDIC,” and, collectively, the “Agencies” or the “U.S. Banking Agencies”) regarding the “Regulatory capital rule: Amendments applicable to large banking organizations and to banking organizations with significant trading activity” (the “Capital Proposal”).<sup>1</sup>

The AIIB is a multilateral development bank with two aims: (i) to foster sustainable economic development, create wealth, and improve infrastructure connectivity in Asia by investing in infrastructure and other productive sectors; and (ii) to promote regional cooperation and partnership in addressing development challenges by working in close collaboration with other multilateral and bilateral development institutions.<sup>2</sup>

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<sup>1</sup> OCC, Federal Reserve, FDIC, *Regulatory Capital Rule: Large Banking Organizations and Banking Organizations with Significant Trading Activity*, 88 Fed. Reg. 64028 (Sept. 18, 2023), available at <https://www.federalregister.gov/documents/2023/09/18/2023-19200/regulatory-capital-rule-large-banking-organizations-and-banking-organizations-with-significant>.

<sup>2</sup> AIIB, Articles of Agreement (AoA), Article 1 Purpose, available at <https://www.aiib.org/en/about-aiib/basic-documents/download/articles-of-agreement/basic-document-english-bank-articles-of-agreement.pdf>.

The AIIB appreciates the opportunity to comment on the Capital Proposal. The AIIB supports the goals of the Capital Proposal. Strong and resilient capital markets are essential to the AIIB’s mission, and strong and effective capital rules for banking organizations are a crucial mechanism for safeguarding the health and safety of those markets. Moreover, as a multilateral organization, the AIIB appreciates the Agencies’ commitment to harmonizing the United States’ regulatory requirements with the international standards established by the Basel Committee for Banking Supervision (“Basel Committee”).

The AIIB writes with one specific comment—that the Agencies take this opportunity to harmonize the Capital Proposal with the Basel Committee’s standards by including the AIIB within the definition of a “multilateral development bank” or “MDB” for purposes of U.S. capital requirements for banking organizations (“Capital Rules”).<sup>3</sup> Adding the AIIB to this definition is justified on the merits, since the AIIB is a multilateral development bank that poses comparable credit risk to that of other institutions currently in the definition. Further, the AIIB is included as a multilateral development bank in the Basel Committee’s current standards document<sup>4</sup> and the capital rules of other major jurisdictions,<sup>5</sup> so harmonizing the U.S. and international standards will further the goal of leveling the playing field between domestic and foreign banking organizations for the many U.S. banks that engage in business with the AIIB.

#### I. The AIIB, in brief.

The AIIB was founded as a new multilateral development bank in 2016 in order to address deficits in the financing of infrastructure in Asia, while also promoting global and regional cooperation in addressing those challenges. Asia’s role in connecting people, goods, services, and markets worldwide is growing, and yet, the development of its economies and infrastructure has so far been uneven. Some economies have successfully transitioned into upper-middle and high-income levels, while others remain low-income, with many unmet infrastructure needs, including in the energy, transportation, urban, and water sectors.<sup>6</sup> Despite the fact that investing in

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<sup>3</sup> The current definition of “MDB” does not include the AIIB, and the Capital Proposal does not propose to change that definition. *See* 12 CFR § 249.3 (Federal Reserve); 12 CFR § 50.3 (OCC); 12 CFR § 329.3 (FDIC); *see also* Capital Proposal at 64038 (“The proposed expanded risk-based approach for credit risk would retain many of the same definitions §\_\_2 of the current capital rule including among others a sovereign, a sovereign exposure, certain supranational entities, a multilateral development bank, a public sector entity (PSE), a government-sponsored enterprise (GSE), other assets, and a commitment.”).

<sup>4</sup> Basel Committee, CRE 20 – Standardized approach: individual exposures, 20.14 Exposures to Multilateral Development Banks (MDBs), n. 8, Basel Framework, *available at* [https://www.bis.org/basel\\_framework/chapter/CRE/20.htm?inforce=20230101&published=20221208#paragraph\\_CRE\\_20\\_20230101\\_Exposures\\_to\\_multilateral\\_development\\_banks\\_MDBs](https://www.bis.org/basel_framework/chapter/CRE/20.htm?inforce=20230101&published=20221208#paragraph_CRE_20_20230101_Exposures_to_multilateral_development_banks_MDBs) (“MDBs currently eligible for a 0% risk weight are: the World Bank Group comprising the International Bank for Reconstruction and Development, the International Finance Corporation, the Multilateral Investment Guarantee Agency and the International Development Association, the Asian Development Bank, the African Development Bank, the European Bank for Reconstruction and Development, the Inter-American Development Bank, the European Investment Bank, the European Investment Fund, the Nordic Investment Bank, the Caribbean Development Bank, the Islamic Development Bank, the Council of Europe Development Bank, the International Finance Facility for Immunization, and the **Asian Infrastructure Investment Bank**.”) (emphasis added).

<sup>5</sup> *See, e.g., infra* Part III, nn. 50-53.

<sup>6</sup> *See* AIIB, Corporate Strategy Financing Infrastructure for Tomorrow, p. 3 (Sept. 2020), *available at* <https://www.aiib.org/en/policies-strategies/strategies/content/index/download/AIIB-Corporate-Strategy.pdf>.

infrastructure could help boost economic and social development, for many years, several Asian economies have been underspending on infrastructure relative to their needs. The AIIB engages in financing activities to address these infrastructure development needs.

The AIIB has a deep, broad, and growing shareholder base committed to this mission, with 109 approved members.<sup>7</sup> The 10 largest shareholders of AIIB are Australia, China, France, Germany, India, Indonesia, Korea, Russia, Türkiye, and the United Kingdom.<sup>8</sup> Pursuant to the AIIB's Articles of Agreement ("AoA"), membership in the AIIB is open to all members of the International Bank for Reconstruction and Development ("IBRD") and the Asian Development Bank ("ADB"),<sup>9</sup> both of which are highly regarded multilateral development banks included in the relevant definition in the Capital Rules.<sup>10</sup> The AIIB also has co-financing frameworks and/or memoranda of understanding in place with, *inter alia*, the IBRD, the International Development Association, the International Finance Corporation, the Multilateral Investment Guarantee Agency, the Inter-American Development Bank, the ADB, the African Development Bank, the European Bank for Reconstruction and Development, the European Investment Bank, and the Islamic Development Bank Group, all of which are included in the relevant definition in the Capital Rules.<sup>11</sup>

The AIIB's governance structure is strong and consistent with the structure of other highly regarded MDBs. Pursuant to the Bank's AoA, all powers are vested in the Board of Governors ("BoG"),<sup>12</sup> which is composed of high-ranking officials (*e.g.*, cabinet ministers and central bank presidents) of all shareholders.<sup>13</sup> The BoG elects the Board of Directors ("BoD"), which supervises the management and operations of AIIB, and consists of twelve Directors, with nine representing regional members and three representing non-regional members.<sup>14</sup> The President is responsible for managing the day-to-day operations of the AIIB in

<sup>7</sup> See AIIB, *Members and Prospective Members of the Bank*, <https://www.aiib.org/en/about-aiib/governance/members-of-bank/index.html> (last visited Dec. 17, 2023).

<sup>8</sup> See AIIB's Condensed Financial Statements for the Nine Months Ended Sept. 30, 2023, pgs. 22-23, available at <https://www.aiib.org/en/about-aiib/financial-statements/content/index/pdf/AIIB-Q3-2023-Financial-Statements-final.pdf>.

<sup>9</sup> See AIIB, AoA, Article 3 Membership, available at <https://www.aiib.org/en/about-aiib/basic-documents/download/articles-of-agreement/basic-document-english-bank-articles-of-agreement.pdf>.

<sup>10</sup> See 12 CFR § 249.3 (Federal Reserve); 12 CFR § 50.3 (OCC); 12 CFR § 329.3 (FDIC).

<sup>11</sup> AIIB, FAQs, General, Treasury, <https://www.aiib.org/en/treasury/other-content/faq/index.html> (last visited Dec. 18, 2023); Co-Financing Framework between AIIB, IBRD, and the International Development Association (Apr. 13, 2016), available at <https://thedocs.worldbank.org/en/doc/522801471875210501-0260012016/original/OfficialDocumentsCofinancingFrameworkAgreementbetweenAsianInfrastructureInvestmentBankandtheWorldBank.pdf>; see also *supra* note 10. As a recent example of the AIIB's co-financing activity, the AIIB and the International Finance Corporation each subscribed to \$75 million in bonds, and the U.S. International Development Finance Corporation contributed \$150 million, in support of Akbank's fundraising to support lending to women and women-led businesses in Türkiye. Akbank Announces \$300 Million in Sustainability and Gender Tier-2 Issuance, <https://www.akbankinvestorrelations.com/en/>, <https://www.akbankinvestorrelations.com/en/news/detail/Akbank-Announces-300-million-in-Sustainability-and-Gender-Tier-2-Issuance/674/1938/0#:~:text=Akbank%20also%20announced%20the%20U.S.,Tier%2D2%20in%20the%20world> (last visited Dec. 18, 2023).

<sup>12</sup> See AIIB, AoA, Article 23 Board of Governors: Powers, available at <https://www.aiib.org/en/about-aiib/basic-documents/download/articles-of-agreement/basic-document-english-bank-articles-of-agreement.pdf>.

<sup>13</sup> See AIIB, *List of Governors*, <https://www.aiib.org/en/about-aiib/governance/board-governors/index.html> (last visited Dec. 17, 2023).

line with the strategies and policies set by the BoD and has ultimate responsibility for all reporting lines in the management of the AIIB, apart from the Compliance, Effectiveness and Integrity Unit (“CEIU”), which reports directly to the BoD.<sup>15</sup> The AIIB also has a world-class risk management infrastructure, including an active Audit and Risk Committee of the BoD, which includes two external members;<sup>16</sup> an independent CEIU charged with managing anti-corruption controls and overseeing project evaluations;<sup>17</sup> and deeply experienced legal, compliance, risk, and audit staff.

II. The AIIB should be defined as an MDB because it poses comparable risk to that of other MDBs included in the definition.

Although the Capital Proposal sets forth the applicable risk-weights that will apply to exposures from MDBs in several sections of the proposal, including credit risk and market risk, it does not propose a new or revised definition of MDB. As such, unless the Agencies act, the current definition of MDB would seem to continue to apply. This definition was implemented in 2013, three years prior to the AIIB beginning its operations, and four years prior to the Basel Committee’s determination to include the AIIB as an MDB in its standards and, hence, does not include AIIB. The U.S. definition specifically lists a number of the AIIB’s peer institutions and then adds “and any other entity that provides financing for national or regional development in which the U.S. government is a shareholder or contributing member or which the [Federal Reserve, OCC, or FDIC] determines poses comparable risk.”<sup>18</sup> As described above, the AIIB provides substantial financing for national and regional development. Accordingly, the key question for the Agencies is whether the AIIB poses comparable risk to the other MDBs listed in the definition.

As the Basel Committee and other major jurisdictions already recognize, the answer to this question is unequivocally yes. The Agencies’ 2013 adopting release justified the lower percentage risk weight for the enumerated list of MDBs by noting “the generally high-credit quality of [the] MDBs, their strong shareholder support and a shareholder structure comprised of a significant proportion of sovereign entities with strong creditworthiness.”<sup>19</sup> The AIIB meets each of these criteria at the same or higher level than the institutions currently listed in the definition.

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<sup>14</sup> See AIIB, AOA, Article 25 Board of Directors: Composition, Schedule A, Schedule B, available at <https://www.aiib.org/en/about-aiib/basic-documents/download/articles-of-agreement/basic-document-english-bank-articles-of-agreement.pdf>.

<sup>15</sup> See AIIB, *Paper on the Accountability Framework* ¶¶ 5, 37, 43, available at <https://www.aiib.org/en/about-aiib/governance/common/download/paper-on-the-accountability-framework.pdf>.

<sup>16</sup> AIIB, *Terms of Reference for the Audit and Risk Committee* ¶ 5 (Dec. 21, 2020), available at <https://www.aiib.org/en/about-aiib/basic-documents/download/rules-of-directors/Asian-Infrastructure-Investment-Bank-Terms-of-Reference-for-the-Audit-and-Risk-Committee.pdf>; see also AIIB, Board of Directors, <https://www.aiib.org/en/about-aiib/governance/board-directors/board-committees/index.html> (last visited Dec. 18, 2023).

<sup>17</sup> AIIB, *Paper on the Accountability Framework* ¶ 37, available at <https://www.aiib.org/en/about-aiib/governance/common/download/paper-on-the-accountability-framework.pdf>.

<sup>18</sup> 12 CFR § 249.3 (Federal Reserve); 12 CFR § 50.3 (OCC); 12 CFR § 329.3 (FDIC).

<sup>19</sup> OCC and Federal Reserve, *Regulatory Capital Rules: Regulatory Capital, Implementation of Basel III, Capital Adequacy, Transition Provisions, Prompt Corrective Action, Standardized Approach for Risk-weighted Assets, Market Discipline and Disclosure Requirements, Advanced Approaches Risk-Based Capital Rule and Market Risk*

## A. High-credit Quality.

The AIIB has credit ratings of triple-A from each of the three major international ratings agencies (Fitch Ratings, Moody's Investor Service, and S&P Global Ratings),<sup>20</sup> a level that is equal to or exceeds that of every listed MDB. The AIIB has ratings equivalent to those of the IBRD;<sup>21</sup> the International Finance Corporation;<sup>22</sup> the Inter-American Development Bank;<sup>23</sup> the ADB;<sup>24</sup> the African Development Bank;<sup>25</sup> the European Bank for Reconstruction and Development;<sup>26</sup> the European Investment Bank;<sup>27</sup> the European Investment Fund;<sup>28</sup> the Nordic Investment Bank;<sup>29</sup> the Islamic Development Bank;<sup>30</sup> and the Council of Europe Development Bank.<sup>31</sup> The AIIB's ratings exceed those of the Caribbean Development Bank.<sup>32</sup>

The AIIB's strong credit rating derives from its strong capital and liquidity position and record of financial management. As of year-end 2022, the AIIB had paid-in capital and retained earnings of \$20.466 billion, against total assets of \$47.409 billion.<sup>33</sup> Further, Article 12 of the AoA commits the AIIB to a conservative regime for investments: it prohibits the AIIB from making investments (*i.e.*, loans, equity, guarantees and other types of financing) that, if made,

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*Capital Rule*, 78 Fed. Reg. 62017, 62085 (October 11, 2013), <https://www.federalregister.gov/documents/2013/10/11/2013-21653/regulatory-capital-rules-regulatory-capital-implementation-of-basel-iii-capital-adequacy-transition/>.

<sup>20</sup> AIIB, *Credit Ratings Reports*, [https://www.aiib.org/en/treasury/other\\_content/rating-reports/index.html](https://www.aiib.org/en/treasury/other_content/rating-reports/index.html) (last visited Dec. 17, 2023).

<sup>21</sup> World Bank, IBRD Funding Program, <https://treasury.worldbank.org/en/about/unit/treasury/ibrd/ibrd-financials-and-ratings#2> (last visited Dec. 18, 2023).

<sup>22</sup> International Finance Corporation, *Investor Relations at IFC*, [https://www.ifc.org/wps/wcm/connect/corp\\_ext\\_content/ifc\\_external\\_corporate\\_site/about+ifc\\_new/investor+relations/investorrelations#:~:text=Since%20first%20being%20rated%20in,the%20market%20place%20for%20IFC](https://www.ifc.org/wps/wcm/connect/corp_ext_content/ifc_external_corporate_site/about+ifc_new/investor+relations/investorrelations#:~:text=Since%20first%20being%20rated%20in,the%20market%20place%20for%20IFC) (last visited Dec. 18, 2023).

<sup>23</sup> Inter-American Development Bank, *Investors*, <https://www.iadb.org/en/investors/investors> (last visited Dec. 18, 2023).

<sup>24</sup> ADB, *Investor Relations*, <https://www.adb.org/work-with-us/investors/credit-fundamentals> (last visited Dec. 18, 2023).

<sup>25</sup> African Development Bank Group, *Ratings*, <https://www.afdb.org/en/about-us/corporate-information/financial-information/ratings> (last visited Dec. 18, 2023).

<sup>26</sup> European Bank for Reconstruction and Development, [https://www.ebrd.com/work-with-us/capital-markets/investor-information.html#:~:text=The%20EBRD's%20very%20strong%20capital,AAA%20\(stable\)%20credit%20rating](https://www.ebrd.com/work-with-us/capital-markets/investor-information.html#:~:text=The%20EBRD's%20very%20strong%20capital,AAA%20(stable)%20credit%20rating) (last visited Dec. 18, 2023).

<sup>27</sup> European Investment Bank, *Investor Relations*, [https://www.eib.org/en/investor\\_relations/rating/index.htm](https://www.eib.org/en/investor_relations/rating/index.htm) (last visited Dec. 18, 2023).

<sup>28</sup> European Investment Fund, *Credit Rating*, [https://www.eif.org/who\\_we\\_are/credit\\_rating/index.htm](https://www.eif.org/who_we_are/credit_rating/index.htm) (last visited Dec. 18, 2023).

<sup>29</sup> Nordic Investment Bank, *Investors*, [https://www.nib.int/investors/why\\_invest\\_in\\_nib](https://www.nib.int/investors/why_invest_in_nib) (last visited Dec. 18, 2023).

<sup>30</sup> Islamic Development Bank, *Investor Relations*, <https://www.isdb.org/what-we-do/investor-relations> (last visited Dec. 18, 2023).

<sup>31</sup> Council of Economic Development Bank, *Credit rating Aaa/AAA*, <https://coebank.org/en/investor-relations/credit-rating/> (last visited Dec. 18, 2023).

<sup>32</sup> Caribbean Development Bank, *Investor Fact Sheet*, <https://www.caribank.org/about-us/investors/investor-fact-sheet> (last visited Dec. 18, 2023).

<sup>33</sup> See AIIB's Auditor's Report and Financial Statements for the Year Ended Dec. 31, 2022, pg. 2, available at <https://www.aiib.org/en/about-aiib/financial-statements/.content/index/pdf/AIIB-2022-yearend-Financial-Statements-signed.pdf>.



would cause the total exposure of the AIIB's outstanding investments to exceed its total unimpaired, subscribed capital, reserves, and retained earnings.<sup>34</sup> In terms of liquidity, the AIIB holds high-quality liquid assets to cover at least 40% of its net cash requirements for a 36-month period and 100% of cash flow requirements under extreme stressed conditions for a 12-month period.<sup>35</sup> In addition, the AIIB has exhibited robust financial management, with only one loan loss over the course of its operation.<sup>36</sup>

## B. Strong Shareholder Support.

As described above, the AIIB has a wide and growing membership of 109 approved sovereign shareholders. This is substantially more than all but three of the entities currently listed in the MDB definition in the Capital Rules.<sup>37</sup> In particular, the AIIB benefits from a capital structure that features a high proportion of paid-in capital. The AIIB's AoA require that 20% of its original authorized share capital of US\$100 billion be paid-in.<sup>38</sup> And, accordingly, as of year-end 2022, the AIIB's paid-in capital received was US\$19.39 billion.<sup>39</sup> This proportion of paid-in

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<sup>34</sup> See AIIB, AoA, Article 12 Limitations on Ordinary Operations, available at <https://www.aiib.org/en/about-aiib/basic-documents/download/articles-of-agreement/basic-document-english-bank-articles-of-agreement.pdf>.

<sup>35</sup> See S&P Global Ratings, Asian Infrastructure Investment Bank, Ratings Direct (Jan. 20, 2023), p. 10, available at <https://www.aiib.org/en/treasury/common/download/SP-RatingsDirect-AsianInfrastructureInvestmentBank-Jan-2023.PDF>.

<sup>36</sup> S&P Global Ratings, Asian Infrastructure Investment Bank, Ratings Direct (Jan. 20, 2023), p. 7, available at <https://www.aiib.org/en/treasury/common/download/SP-RatingsDirect-AsianInfrastructureInvestmentBank-Jan-2023.PDF>.

<sup>37</sup> Only the IBRD, the Multilateral Investment Guarantee Agency, and the International Finance Corporation have more with 189, 182, and 186 members, respectively. See IBRD, <https://www.worldbank.org/en/who-we-are/ibrd> (last visited Dec. 18, 2023); Multilateral Investment Guarantee Agency, *Member Countries*, <https://www.miga.org/member-countries> (last visited Dec. 18, 2023); International Finance Corporation, *Management's Discussion and Analysis and Consolidated Financial Statements* (June 30, 2023), <https://www.ifc.org/content/dam/ifc/doc/2023/FY23-IFC-Annual-MDA-and-FS.pdf>.

<sup>38</sup> See AIIB, AoA, Article 4 Authorized Capital, available at <https://www.aiib.org/en/about-aiib/basic-documents/download/articles-of-agreement/basic-document-english-bank-articles-of-agreement.pdf>.

<sup>39</sup> See AIIB's Auditor's Report and Financial Statements for the Year Ended Dec. 31, 2022, pg. 33, available at <https://www.aiib.org/en/about-aiib/financial-statements/content/index/pdf/AIIB-2022-yearend-Financial-Statements-signed.pdf>.

capital compares quite favorably to that of other listed MDBs.<sup>40</sup> In addition to paid-in capital, the AIIB has authorized and callable capital in excess of US\$77 billion.<sup>41</sup>

### C. A Shareholder Structure Comprised of a Significant Proportion of Sovereign Entities with Strong Creditworthiness.

A significant proportion of the AIIB's shareholders are sovereign entities with strong creditworthiness. All top 10 shareholders of the AIIB are members of the Group of 20.<sup>42</sup> In addition, eight of the top 10 shareholders of the AIIB have investment-grade ratings.<sup>43</sup> As with other MDBs, additional capital may only be called to meet its liabilities, the largest of which are AIIB's outstanding bonds.<sup>44</sup> In the event of a capital call, 28% of the AIIB's callable capital is from members with a credit rating of double-A minus or above; 65% is from members with a credit rating of single-A minus or above; and 83% is from members with an investment grade credit rating of triple-B minus or above.<sup>45</sup> Furthermore, members rated triple-A by Fitch Ratings, Moody's Investor Service, or S&P Global Ratings represent 13% of AIIB's callable capital.<sup>46</sup>

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<sup>40</sup> Compare, for example, the European Investment Bank (9.80%); the IBRD (7.26%); and the ADB (5.27%). For 2022, the paid-in capital at the European Investment Bank was EUR 22.2 billion and the callable capital was EUR 226.6 billion resulting in 9.80% of paid-in/callable capital. See European Investment Bank, *Financial Report*, p. 8 (2022), [https://www.eib.org/attachments/lucalli/20220270\\_eib\\_financial\\_report\\_2022\\_en.pdf](https://www.eib.org/attachments/lucalli/20220270_eib_financial_report_2022_en.pdf). As of December 31, 2022, the paid-in capital at the IBRD was US\$21,166 million and the "uncalled" subscribed capital was US\$291,683 million resulting in 7.26% of paid-in/callable capital. See IBRD, *Management's Discussion & Analysis and Condensed Quarterly Financial Statements*, p. 34 (Dec. 31, 2022), <https://thedocs.worldbank.org/en/doc/35bfb0e948f5e6fd5d95f87be04c23bc-0040012022/original/IBRD-MD-A-and-Financial-Statements-FY23Q2.pdf>. As of December 31, 2022, the paid-in capital at the ADB was US\$7,095 million and the callable capital was US\$134,589 million resulting in 5.27% of paid-in/callable capital. See ADB, *Financial Report 2022*, p. 19 <https://www.adb.org/sites/default/files/institutional-document/872636/adb-financial-report-2022.pdf>.

<sup>41</sup> AIIB's Auditor's Report and Financial Statements for the Year Ended Dec. 31, 2022, pg. 33, available at <https://www.aiib.org/en/about-aiib/financial-statements/.content/index/pdf/AIIB-2022-yearend-Financial-Statements-signed.pdf>.

<sup>42</sup> See *supra* Part I; see also G-7 and G-20, HOME.TREASURY.GOV, <https://home.treasury.gov/policy-issues/international/g-7-and-g-20#:~:text=The%20members%20of%20the%20G,and%20the%20European%20Central%20Bank> (last visited Dec. 18, 2023).

<sup>43</sup> These are China (A1/A+/A+ [Moody's, S&P, Fitch]), India (Baa3/BBB-/BBB-), Germany (Aaa/AAA/AAA), Korea (Aa2/AA/AA-), Australia (Aaa/AAA/AAA), France (Aa2/AA/AA-), Indonesia (Baa2/BBB/BBB), and the United Kingdom (Aa3/AA/AA-). See Sovereign Ratings List, <https://countryeconomy.com/ratings> (last visited Dec. 18, 2023). Türkiye and Russia are the exception.

<sup>44</sup> AIIB, AoA, Article 6 Payment of Subscriptions, available at [https://www.aiib.org/en/about-aiib/basic-documents/download/articles-of-agreement/basic\\_document\\_english-bank\\_articles\\_of\\_agreement.pdf](https://www.aiib.org/en/about-aiib/basic-documents/download/articles-of-agreement/basic_document_english-bank_articles_of_agreement.pdf).

<sup>45</sup> AIIB, *Investing With Impact: AIIB's Sustainable Development Bonds* at 7 (Sep. 2023), <https://www.aiib.org/en/treasury/common/download/AIIB-Investor-Presentation-Sep-2023.pdf>.

<sup>46</sup> The countries with AAA ratings are Germany (3,587,400 shares of callable capital); Denmark (295,600 shares of callable capital), the Netherlands (825,000 shares of callable capital), Sweden (504,000 shares of callable capital), Norway (440,500 shares of callable capital), Switzerland (565,100 shares of callable capital), Luxembourg (55,800 shares of callable capital), Singapore (200,000 shares of callable capital), and Australia (2,953,000 shares of callable capital). Canada is rated AAA by two of the ratings companies and has 796,300 shares of callable capital. The total callable capital for those ten countries was 10,222,700 out of 77,571,800 shares in total callable capital as of December 31, 2022. See Tania Chen, *And then there were 9: Here are the remaining AAA countries after Fitch stripped the U.S. of its top credit rating*, FORTUNE (Aug. 2, 2023, 7:15 AM EDT), <https://fortune.com/2023/08/02/9->

III. The U.S. Banking Agencies should include the AIIB in the definition of MDB to promote convergence with the standards adopted by the Basel Committee and other major jurisdictions.

In 2017, the Basel Committee agreed that its members may allow banks to apply a risk weight of zero percent to claims on the AIIB. This determination was made in accordance with the standards articulated in paragraph 59 of the International Convergence of Capital Measurement and Capital Standards (“ICCM Framework”) as specifically applied to the AIIB. As a consequence, the AIIB was added to the list of MDBs referred to in the ICCM Framework.<sup>47</sup> The criteria utilized by Basel Committee are stated below:<sup>48</sup>

- very high quality long-term issuer ratings, i.e. a majority of an MDB’s external assessments must be AAA;
- shareholder structure is composed of a significant proportion of sovereigns with long-term issuer credit assessments of AA- or better, or the majority of the MDB’s fund-raising are in the form of paid-in equity/capital and there is little or no leverage;
- strong shareholder support demonstrated by the amount of paid-in capital contributed by the shareholders; the amount of further capital the MDBs have the right to call, if required, to repay their liabilities; and continued capital contributions and new pledges from sovereign shareholders;
- adequate level of capital and liquidity (a case-by-case approach is necessary in order to assess whether each MDB’s capital and liquidity are adequate); and
- strict statutory lending requirements and conservative financial policies, which would include among other conditions a structured approval process, internal creditworthiness and risk concentration limits (per country, sector, and individual exposure and credit category), large exposures approval by the board or a committee of the board, fixed repayment schedules, effective monitoring of use of proceeds, status review process, and rigorous assessment of risk and provisioning to loan loss reserve.

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[here-remaining-aaa-countries-after-fitch-stripped-us-of-top-ranking/](#); see also AIIB’s Auditor’s Report and Financial Statements for the Year Ended Dec. 31, 2022, pg. 49, available at <https://www.aiib.org/en/about-aiib/financial-statements/.content/index/pdf/AIIB-2022-yearend-Financial-Statements-signed.pdf>.

<sup>47</sup> See Basel Committee, *Risk weight for Asian Infrastructure Investment Bank* (Oct. 2017), available at <https://www.bis.org/bcbs/publ/d417b.pdf>. The original ICCM Framework is available at Basel Committee, *Basel II: International Convergence of Capital Measurement and Capital Standards: A Revised Framework – Comprehensive Version* (June 30, 2006), available at <https://www.bis.org/publ/bcbs128.htm>.

<sup>48</sup> Basel Committee, CRE 20 – Standardized approach: individual exposures, 20.14 Exposures to Multilateral Development Banks (MDBs), Basel Framework, available at [https://www.bis.org/basel\\_framework/chapter/CRE/20.htm?inforce=20230101&published=20221208#paragraph CRE 20 20230101 Exposures to multilateral development banks MDBs](https://www.bis.org/basel_framework/chapter/CRE/20.htm?inforce=20230101&published=20221208#paragraph_CRE_20_20230101_Exposures_to_multilateral_development_banks_MDBs).



The Basel Committee’s determination that the AIIB satisfied these criteria should be highly probative to the U.S. Banking Agencies’ determination.<sup>49</sup>

After the Basel Committee’s determination, other major financial jurisdictions have similarly determined to include the AIIB in their definitions of MDBs. In March 2018, the Japan Financial Services Authority included the AIIB on its list of multilateral development banks deserving a zero percent risk weight.<sup>50</sup> The European Union followed suit, amending its Capital Requirement Regulation in May 2019 to include the AIIB.<sup>51</sup> The UK, following Brexit, has retained the EU’s determination of the AIIB’s status.<sup>52</sup> And, beginning on January 1, 2023, the Australian Prudential Regulatory Authority included the AIIB on its list of MDBs deserving zero percent risk weight.<sup>53</sup>

The U.S. Banking Agencies should include AIIB in the definition of MDB to converge with the definition adopted by the Basel Committee and other major jurisdictions. Such convergence is both right on the merits—as described above, the AIIB is easily in the same category of risk as the other MDBs—and because it is important to avoid the unwelcome effects that accompany unnecessary divergence. If the United States were to persist with a divergent MDB definition, U.S. financial institutions would continue to be required to apply a higher risk

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<sup>49</sup> We note that the U.S. Banking Agencies, as well as the Federal Reserve Bank of New York, are members of the Basel Committee, and therefore participated in the Basel Committee’s determination that the AIIB should be considered an MDB. See Basel Committee Membership, BIS.ORG, <https://www.bis.org/bcbs/membership.htm> (last visited Dec. 18, 2023).

<sup>50</sup> See the current capital rule, freely translated as “The Banking Law on the basis of the provisions of the Article 14, Bank criteria for determining capital adequacy in light of assets held,” the Japanese original of which is available at [https://www.fsa.go.jp/policy/basel\\_ii/ginkou1-01.pdf](https://www.fsa.go.jp/policy/basel_ii/ginkou1-01.pdf) and at the Japanese Financial Services Agency website ([https://www.fsa.go.jp/policy/basel\\_ii/index.html](https://www.fsa.go.jp/policy/basel_ii/index.html)). Specifically, see Article 60.2, pg. 89 of the PDF, which is freely translated as “Notwithstanding the provision of the preceding paragraph, risk weighted exposures for International Bank for Reconstruction and Development, International Finance Corporation, Multilateral Investment Guarantee Agency, International Development Association, Asian Development Bank, African Development Bank, European Bank for Reconstruction and Development, Inter-American Development Bank, European Investment Bank, European Investment Fund, Nordic Investment Bank, Caribbean Development Bank, Islamic Development Bank, International Finance Facility for Immunization, Council of European Development Bank, and **Asian Infrastructure Investment Bank, are zero percent.**” (emphasis added). See also pg. 3 of the determination dated March 23, 2018, freely translated as “On the basis of the provisions of the Banking Law, Bank criteria for determining capital adequacy in in light of assets held,” the Japanese original of which is available at <https://www.fsa.go.jp/news/30/ginkou/20180323/01.pdf> and published on the Japanese Financial Services Agency website (<https://www.fsa.go.jp/news/30/ginkou/20180323.html>).

<sup>51</sup> Article 57 of Regulation (EU) 2019/876 of the European Parliament and of the Council of 20 May 2019 amending Article 117 of Regulation (EU) No 575/2013. Regulation (EU) 2019/876 is available at <https://eur-lex.europa.eu/legal-content/EN/TXT/?uri=CELEX:32019R0876>, and Regulation (EU) No 575/2013 is available at <https://eur-lex.europa.eu/legal-content/EN/TXT/?uri=celex%3A32013R0575>.

<sup>52</sup> Regulation (EU) 2019/876 as part of UK legislation is available at <https://www.legislation.gov.uk/eur/2019/876/article/1> and Regulation (EU) No 575/2013 as part of UK legislation is available at <https://www.legislation.gov.uk/eur/2013/575/contents>. The FCA Handbook also reflects these determinations. See BIPRU 3.4.28 available at <https://www.handbook.fca.org.uk/handbook/BIPRU/3/4.html> and its corresponding glossary available at <https://www.handbook.fca.org.uk/handbook/glossary/G743.html>.

<sup>53</sup> See Prudential Standard APS 112, *Capital Adequacy: Standardised Approach to Credit Risk*, Attachment B, n.6 (final Jan. 1, 2023), available at <https://www.apra.gov.au/sites/default/files/2021-11/Final%20Prudential%20Standard%20APS%20112%20-%20Capital%20Adequacy%20-%20Standardised%20Approach%20to%20Credit%20Risk.pdf>.

weight for their credit exposures to the AIIB than would comparable institutions in other jurisdictions around the globe. This divergence creates an uneven playing field.

#### IV. Conclusion

For all of the reasons set forth above, we respectfully request that the U.S. Banking Agencies add the AIIB to the definition of “multilateral development banks” under the Capital Rules. We believe the Capital Proposal is an opportune moment to amend the definition, and would be responsive to a number of the questions asked in the Capital Proposal release, including questions 1, 2, and 39.

If, for some reason, the issuance of final changes to the Capital Rules were to be delayed, we would appreciate the U.S. Banking Agencies’ consideration of alternative mechanisms for bringing this definition into harmony with the Basel Committee’s standards, whether by administrative action as permitted under the U.S. Banking Agencies’ current authorities or by issuance of an interim final rule.<sup>54</sup>

We appreciate the opportunity to comment, and stand ready to provide the U.S. Banking Agencies with any further information that they may request. In this regard, we invite you to contact Christopher Smith, Chief Counsel, Private Sector Investment & Treasury Operations, at [christopher.smith@aiib.org](mailto:christopher.smith@aiib.org).

Sincerely,

A black rectangular redaction box covers the signature of Andrew Cross.

Andrew Cross  
Chief Financial Officer

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<sup>54</sup> See, for example, the Federal Reserve’s Rules Regarding Delegations of Authority, 12 C.F.R. § 265.7(k)(1)(iii)(D).