



Date: 14 January 2021

To: The Securities and Futures Commission

From:

BCT Group (BCT Financial Limited / Bank Consortium Trust Co Ltd)

Email: 2020_Climate_Consultation@sfc.hk

cc:

Subject: Consultation Paper on the Management and Disclosure of Climate-related Risks by Fund Managers

BCT Group (comprising BCT Financial Limited (“BCTF”) and Bank Consortium Trust Company Limited (“BCTC”)) is a key provider of MPF/ORSO products and best-in-class asset servicing for investment funds and pensions with BCTC being one of the largest trust companies in Hong Kong. To exercise our fiduciary duties, BCT Group selects and works with investment managers and delegates who share our commitment of investing responsibly and sustainably.

We welcome the opportunity to express the views on the Consultation Paper on the Management and Disclosure of Climate-related Risks by Fund Managers issued by SFC.

1. Do you have any comments on the SFC’s proposal to focus on climate change or should a broader spectrum of sustainable finance should be considered in developing the requirements? Please explain your view.

Despite the importance of climate-related risk which was highlighted in the clause 25 of the consultation paper, other sustainable factors are also important for regulators to address.

If social and governance factors are not covered in this proposal, further requirements/guidance on management and disclosure of the two factors are recommended to be covered in the future.

2. Do you agree that at the initial stage, the SFC’s proposed requirements should apply to the management of CISs but not discretionary accounts?

BCT agrees that at the initial stage, the proposed requirement should not be mandatory on discretionary accounts; however, fund managers should be encouraged to understand the needs and requirements of clients from the climate-related risk perspective, and provides relevant disclosure to clients accordingly.

3. Do you agree that the SFC should make reference to the TCFD Recommendations in developing the proposed requirements so as to minimise fund managers' compliance burden and foster the development of a more consistent disclosure framework? Other than the TCFD reporting framework, is there any other standard or framework which in your opinion would be appropriate for the SFC to refer to in developing the proposed requirements?

The TCFD Recommendation is widely endorsed by the stakeholders of the financial services industry, and is also supported by recognizable international bodies in the field. BCT agrees that SFC should make reference to the TCFD Recommendations in developing the proposed requirements.

4. Do you have any comments on the proposed basis for determining the threshold for Large Fund Managers, ie, HK\$4 billion, and the basis for reporting? Please explain your view.

A similar threshold of HK\$4 billion is used by overseas regulations. BCT has no further comment.

5. Do you have any comments on the proposed amendment to the FMCC requirements, baseline requirements and enhanced standards? Please explain your view.

BCT does not have further comment on: (a) the proposed changes to the FMCC (Appendix 1 of the consultation paper). (b) The proposed baseline requirements and enhanced standards (Appendix 2 of the consultation paper) are also defined well from governance, investment management, risk management and disclosure perspectives.

6. To provide a clear picture to investors on whether a fund manager has integrated climate-related considerations into its investment strategies or funds, do you agree that if the fund manager considers that climate-related risks are irrelevant to certain investment strategies or funds, it should make disclosures and maintain appropriate records to explain the rationale for its assessment?

Yes. A fund manager should make disclosures to explain if he/she considers climate-related risks are irrelevant to certain investment strategies or funds so that the public can be better informed on what basis the manager comes up with the conclusion.

7. Do you agree that climate-related disclosures (except for the disclosure of WACI) to investors should be made at an entity level at a minimum and supplemented with disclosures at a strategy or fund level to reduce burden on fund managers?

The level of oversight responsibility from the board/management, the investment management process, the risk management tools and metrics shall be shared by strategy or fund within the same entity. Therefore, climate-related disclosures at an entity level should be sufficient.

8. Do you agree that disclosures of quantitative climate-related data such as WACI should only be applicable to Large Fund Managers having regard to the resources required and the size of assets covered? Do you agree that at the initial stage the disclosure of the WACI should be made at the fund level instead of the entity level?

BCT agrees that disclosure of the WACI be applicable to only Large Fund Managers. However, a further study is suggested be conducted to understand the hurdle/the additional resources required for fund managers (AUM below the HK\$4 billion threshold) to disclose the WACI in order to meet the standard alignment in the long run.

In addition, at the initial stage the disclosure of the WACI should be made at the fund level instead of the entity level.

9. Do you think the following transition periods are appropriate?
- a nine-month and a 12-month transition period for Large Fund Managers to comply with the baseline requirements and enhanced standards respectively; and
 - a 12-month transition period for other fund managers to comply with the baseline requirements.

If not, what do you think would be an appropriate transition period? Please set out your reasons.

Yes. We think the said periods are appropriate