



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

	Question	Response
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.	SFC's proposal to focus on climate change is a good start given its prominence in the ESG domain and the urgency to take action. The proposals implemented to address climate change can be used as a basis to address other sustainable finance matters.
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?	We agree that at the initial stage, the SFC's requirements should apply to the management of CISs. The aim would be to include discretionary accounts in due course but it is best to make greater progress with products in which the proposals can be implemented and readily enforced.
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?	It makes sense the SFC should make reference to the TCFD Recommendations in developing the proposed requirements as not only are they widely recognised, we can also align our progress with other jurisdictions that also adopt and support the TCFD Recommendations.

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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.	No comment, other than the fact that there may asset managers with an AUM that is less than HK\$4 billion who may also benefit from the enhanced reporting and should be encouraged in doing so. The other factor to consider is the proportion of assets managed by Large Fund Managers that are CISs versus discretionary accounts held for professional investors. Should the percentage of CIS assets be relatively small in comparison, perhaps the additional reporting may not be required.
5.	Do you have any comments on the proposed amendment to the FMCC requirements, baseline requirements and enhanced standards? Please explain your view.	No, we do not have any particular comments on the proposed amendment to the FMCC requirements, baseline and enhanced standards. The only consideration is the applicability of the enhanced standard of Large Fund Managers whose AUM is predominately discretionary accounts and not CISs.
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, if the climate-related risks are truly irrelevant to certain investment strategies or funds, full disclosure should be made so that the investors are made aware.
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?	Yes, we agree that the proposed climate-related disclosure made at the entity level and supplemented with disclosures at a strategy or fund level would be fine.

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8.	<p>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?</p>	<p>In addition to Large Fund Managers, we suggest that Fund Managers who manage CISs that are focused on ESG including climate change should also be required to disclose the quantitative climate-related data given their focus on the topic. Another consideration with respect to Large Fund Managers is what percentage is the assets managed under CISs. If the majority of the assets managed by the Large Fund Manager is under discretionary accounts for professional investors, then, is such WACI disclosures applicable?</p> <p>In any event, we agree that disclosure of the WACI be made at the fund level.</p>
9.	<p>Do you think the following transition periods are appropriate?</p> <ul style="list-style-type: none"> • 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. <p>If not, what do you think would be an appropriate transition period? Please set out your reasons.</p>	<p>We suggest that all Fund Managers have a 12-month transition period to comply with the baseline requirements and the Large Fund Managers have an additional 3 months to comply with the enhanced standards.</p> <p>The rationale for this reasoning is that a Large Fund Manager, defined by the AUM threshold, does not necessarily equate to more manpower on the team and therefore, additional time to apply the enhanced standards would be appreciated. In addition, the AUM of some Large Fund Managers made be primarily comprised of discretionary accounts for professional investors and not CISs.</p>

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