

LCQ17: Promotion of green bonds

Following is a question by the Hon Chan Chun-ying and a written reply by the Secretary for Financial Services and the Treasury, Mr James Lau, in the Legislative Council today (May 9):

Question:

The Chief Executive stated in the Policy Address delivered in October last year that the Government would take the lead in the issuance of a green bond in the 2018-2019 financial year and would continue to encourage public sector bodies to issue green bonds in Hong Kong, and promote local entities' establishment of green bond certification schemes that meet with international standards. In this connection, will the Government inform this Council:

(1) whether it will promote the inclusion of the green bonds issued in Hong Kong in the scope of eligible securities for the southbound trading of the mutual bond market access between Hong Kong and the Mainland (commonly known as "Bond Connect") which will be implemented in future, so as to increase the number of potential investors of such bonds; if so, of the details; if not, the reasons for that;

(2) given that the Hong Kong Quality Assurance Agency started to provide third-party conformity assessments for green finance issuers early this year, whether it knows (i) the number of certificates issued so far, and (ii) the anticipated number of applications for certificates the vetting of which will be completed this year, by the Agency; and

(3) whether it has considered following the practice of other bond markets and preparing actively for the launch of a green bond index; if so, of the details; if not, the reasons for that?

Reply:

President,

Our replies to the three parts of the question are as follow:

(1) The Hong Kong Monetary Authority has been maintaining close dialogue with the People's Bank of China and the relevant Mainland institutions on enhancements to the Bond Connect, including introducing Southbound Trading, which aims to enable Mainland investors to invest in the Hong Kong bond market through mutual access between the financial infrastructure institutions of the two places. The suggestion of including green bonds issued in Hong Kong in the scope of tradable products of Bond Connect would be taken into account when the detailed proposal is explored.

(2) According to the public information available from the Hong Kong Quality Assurance Agency, the list of certification under its Green Finance Certification Scheme (GFCs) as of March 26, 2018 includes 3 Pre-issuance

Stage Certificate issuances. The Government will continue to support GFCS's implementation and encourage local, Mainland and overseas enterprises to make use of the Scheme and our capital markets for financing their green projects.

(3) The green bond market, which is still in its development stage, is fast evolving. While focusing on the development of the green bond market in Hong Kong at present, we are open to further promoting the market development of other green financial products.

The Hong Kong Exchanges and Clearing Limited has been engaging with various stakeholders and academia to explore business initiatives regarding green finance, such as creating green bond/stock index. Provided that there is a sufficient market depth of green financial products, green bond/stock index may be developed in response to market needs.