

SFST's speech at ASIFMA's 5th Annual Sustainable Finance Conference: Enabling Transition Finance in Asia (English only)

Following is the speech by the Secretary for Financial Services and the Treasury, Mr Christopher Hui, at ASIFMA's 5th Annual Sustainable Finance Conference: Enabling Transition Finance in Asia today (October 30):

Distinguished guests, ladies and gentlemen,

It is both an honour and a privilege to stand before you today at ASIFMA's 5th Annual Sustainable Finance Conference. I would like to extend my heartfelt gratitude to ASIFMA (Asia Securities Industry & Financial Markets Association) for hosting this significant event, now in its fifth year, and for bringing together an impressive gathering of leaders and advocates in the realm of sustainability. We are here to engage in critical discussions about how we can collectively scale and enable transition finance in Asia – a topic that has never been more urgent.

Today's theme, "Enabling Transition Finance in Asia", reflects a vital aspect of our collective effort to combat climate change. As we know, climate change poses unprecedented challenges to our societies and economies. We must take bold steps to address these challenges. Hong Kong serves as a crucial financial gateway in Asia, bridging the East and West. This unique position makes it an ideal location for managing and channelling investments aimed at sustainable development. With our robust banking system, flourishing financial market, and strong regulatory framework, Hong Kong is well-positioned to facilitate transition finance.

As we gather here today, we are acutely aware of the challenges that climate change poses to our societies and economies. Today, I would like to outline Hong Kong's efforts in driving sustainability, encapsulated in four key "C" pillars: Capital, Creation, Commitment, and Collaboration.

Capital – A vital tool for green financing

The first "C" is Capital, which highlights Hong Kong's well-developed capacity for green investment. This is not just a financial mechanism; it is a vital tool for green financing that underpins our commitment to sustainability. Hong Kong has set an ambitious goal to achieve carbon neutrality by 2050, with a target to halve carbon emissions by 2035. To realise these goals, we are implementing a range of policies and initiatives designed to promote green finance and support the transition to a low-carbon economy.

As Asia's leading international financial centre and green finance hub,

Hong Kong stands ready to channel international investment toward sustainable purposes. Our financial ecosystem is equipped to facilitate a robust green transition. Recent market research estimates that sustainable bond issuance will approach US\$1 trillion in 2024. Moreover, it is projected that annual climate investments must reach US\$9 trillion by 2030 and US\$10 trillion by 2050, underscoring the immense demand for green finance.

To this end, we launched the Government Green Bond Programme (renamed Government Sustainable Bond Programme) in 2019. This initiative aims to raise funds for government green projects that contribute to sustainable development. I am pleased to report that our issuance has been attracting strong interest from both local and international investors. For example, for the issuance in July this year, our offer of HK\$25 billion of bonds attracted more than HK\$120 billion equivalent in orders, about five times of the offer size. So far a total of HK\$220 billion in government green bonds has been successfully issued, including a diverse array of bonds – retail, institutional, and tokenised – across multiple currencies and tenors. These efforts have effectively raised funds for the Government's green projects, reinforcing our commitment to fostering a greener future for Hong Kong.

The momentum towards sustainable investment has gained unprecedented traction in our financial markets. Over 230 ESG (environmental, social, and governance) funds have been authorised by our Securities and Futures Commission, collectively managing over HK\$1.3 trillion in assets. This represents a significant year-on-year increase of 19 per cent in the number of funds and an 8 per cent rise in assets. These encouraging statistics reflect a growing recognition among investors of the importance of sustainable finance and their commitment to supporting responsible investment initiatives.

Creation – innovating the green fintech market

The second "C" is Creation, which emphasises Hong Kong's role in innovation for adoption of green fintech. In addition to capital, technology plays a crucial role in green transition. The global shift toward sustainability is not just creating new markets; it is also driving innovation and opening up investment opportunities. The Government recognises that sustainable development and financial innovation must go hand in hand. By positioning Hong Kong as a leader in sustainable finance, we can attract capital, stimulate innovation, and contribute to a more sustainable future for all.

As we strive to integrate fintech with green finance and accelerate our green transformation, we are actively expanding the green fintech ecosystem. This year in June, we launched the Green and Sustainable Fintech Proof-of-Concept Funding Support Scheme. This initiative aims to provide early-stage funding to technology companies or research institutes conducting green fintech activities, allowing them to collaborate with local enterprises to co-develop new projects that address industry pain points. By facilitating the completion of the commercialisation and proof-of-concept stages, this scheme aims to enable wider adoption of green and sustainable fintech solutions in our local business landscape.

Fostering partnerships that drive innovation in financial products is another crucial element in promoting sustainable practices and ensuring that our financial systems are resilient and future-ready. Earlier this year, in March, we launched the Prototype Hong Kong Green Fintech Map, developed in collaboration with various stakeholders. This map serves as a one-stop resource, providing comprehensive information on the current status of green fintech companies in Hong Kong and the related services available. By enhancing the visibility of these companies, we support their growth and ultimately contribute to our vision of a greener and more sustainable financial ecosystem.

Commitment – building a comprehensive foundation

The third "C" is our commitment to building a comprehensive green finance ecosystem. Recent market studies indicate that approximately 90 per cent of issuance in the green bond market relates to financing climate transition projects. Transition finance encompasses more than just capital; it empowers various industries to evolve towards sustainable practices while acknowledging that the journey to a low-carbon economy varies across sectors.

The time is ripe for Hong Kong to seize the opportunities ahead in developing a sustainable community. We are committed to enabling transition finance in Asia and working towards a more sustainable future. As part of this commitment, Hong Kong is a forerunner in setting regulatory requirements and guidance for the financial sector. In the recent Policy Address, the Chief Executive announced significant steps towards enhancing our financial reporting framework.

We will soon launch a roadmap for the full adoption of the International Financial Reporting Standards – Sustainability Disclosure Standards (ISSB Standards). Our goal is clear: We aim for Hong Kong to be among the first jurisdictions to align our local requirements with these internationally recognised standards. This initiative not only underscores our commitment to transparency and sustainability but also positions Hong Kong as a leader in the global financial landscape.

Transparency and accountability are essential for the success of sustainable finance. As a crucial initial step, Hong Kong Stock Exchange has introduced new climate-related disclosure requirements. These requirements, developed based on the International Financial Reporting Standards (IFRS) S2 Climate-related Disclosures, will be implemented for listed companies under a phased approach starting next year. These initiatives reflect our ongoing efforts to foster a sustainable environment that resonates throughout our financial ecosystem.

Collaboration – the key to a sustainable future

The last "C", but certainly not least, is collaboration. While government initiatives are crucial, the transition to a sustainable economy cannot be achieved in isolation. It requires collaboration among all stakeholders – the Government and regulators, financial institutions, corporations, and the community.

In 2020, the Government established the Green and Sustainable Finance Cross-Agency Steering Group, comprising representatives from various sectors. This group is working diligently to formulate strategies that enhance Hong Kong's role as a green finance hub and engage industry participants and relevant stakeholders to advance sustainable finance in Hong Kong.

As we look ahead, we are also mindful of the international context. In just a few weeks, the global climate challenge will be front and centre at COP29 (29th Conference of the Parties to the United Nations Framework Convention on Climate Change) in Azerbaijan. This conference presents an opportunity for world leaders to ramp up climate action and provide stronger protections for those on the frontlines of climate change. COP29 is being billed as the "finance COP", a pivotal moment for countries to establish a new global climate finance goal. We look forward to actively exploring collaboration with other regions on zero-carbon projects and initiatives, enhancing our collective capacity to address these urgent challenges.

Closing

In closing, the journey to a sustainable future is one that requires capital, creation, commitment, and collaboration. As we gather here today, we reaffirm our shared responsibility to enable transition finance in Asia and harness the power of finance to drive meaningful change. Together, we can create a better world for future generations.

Your commitment to advancing the agenda of sustainable finance in Asia is truly inspiring. I am grateful for your attention to this pressing global issue, and I look forward to the fruitful discussions and insights that will emerge from today's conference. Together, let us turn our vision of a sustainable future into a reality.

Thank you.