

MEMO# 33025

January 6, 2021

FOR REVIEW: Asia ESG: Draft Response to HK SFC Consultation on Climate Risk Requirements for Asset Managers

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January 6, 2021 TO: ESG Task Force

ICI Global Regulated Funds Committee - Asia RE: FOR REVIEW: Asia ESG: Draft Response to HK SFC Consultation on Climate Risk Requirements for Asset Managers

Attached for your review is our draft response to the Hong Kong Securities and Futures Commission's (SFC) consultation[\[1\]](#) on proposed regulatory requirements for asset managers on climate-related risk. This draft incorporates feedback from the member calls we had before the holidays and includes explanatory comments as well as questions highlighted in yellow where we would particularly appreciate your thoughts.

We would greatly appreciate receiving any comments or feedback by COB next Tuesday (12 January). The consultation response is due next Friday 15 January.

For your reference, below is a brief summary of the consultation, and a more detailed summary is attached.

Brief Summary of the Consultation

The SFC's consultation makes reference to the Task Force on Climate-related Financial Disclosures (TCFD) reporting framework and follows a soft consultation to which we responded[\[2\]](#) in August.

Requirements. The SFC proposes to amend the Fund Manager Code of Conduct (FMCC) and issue a circular to ensure that fund managers are taking climate-related risk into account in governance, investment management, and risk management, as well as providing certain disclosures. The SFC proposes to set out baseline requirements for all fund managers with additional enhanced standards for larger fund managers. For example, large fund managers would be required to make additional quantitative disclosures of Weighted Average Carbon Intensity (WACI) at a fund level.

Scope. The SFC's proposed requirements would apply to fund managers which manage collective investment schemes (CISs). At the initial stage, they would not be mandatory for fund managers which manage discretionary accounts (in the form of an investment mandate or a pre-defined model portfolio).

The proposed governance, investment management, and risk management requirements would apply to fund managers which have discretion over investment management and risk management processes irrespective of whether they are overall responsible or manage only part of a fund. The proposed disclosure requirements would be applicable to fund managers which are responsible for the overall operation of funds (ROOF) (i.e., they are not applicable to those who manage only part of a fund).

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[Attachment No. 1](#)

[Attachment No. 2](#)

endnotes

[1] See SFC consults on climate-related risks in funds (29 October 2020), *available at* <https://apps.sfc.hk/edistributionWeb/gateway/EN/news-and-announcements/news/doc?refNo=20PR104>

[2] See ICI Memorandum No. 32672, *available at* https://www.ici.org/my_ici/memorandum/memo32672