

**MEMO# 32893**

November 4, 2020

# Asia ESG: HK SFC Consultation on Climate Risk Requirements for Asset Managers

[32893]

November 4, 2020 TO: ICI Global Members

ESG Task Force (Global)

ICI Global Regulated Funds Committee

ICI Global Regulated Funds Committee - Asia SUBJECTS: Disclosure

ESG

International/Global RE: Asia ESG: HK SFC Consultation on Climate Risk Requirements for Asset Managers

The Hong Kong Securities and Futures Commission (SFC) has published a consultation on proposed regulatory requirements for asset managers on climate-related risk ([footnote \[1\]](#) below). The consultation makes reference to the Task Force on Climate-related Financial Disclosures (TCFD) reporting framework and follows a soft consultation to which we responded in August ([footnote \[2\]](#) below). The consultation deadline is **15 January 2021**.

To accommodate members in different time zones, we are holding two member calls to discuss our consultation response:

1. **The first call, for members in Asia, will be held on Tuesday, 24 November, at 10:00 a.m. (HKT).** We are sending the calendar invite for this call to members on the distribution list for the Global Regulated Funds Committee (Asia).
2. **The second call, for members in the US and Europe, will be held on Wednesday, 25 November, at 11:00 a.m. (ET) / 4:00 p.m. (GMT).** We are sending the calendar invite for this call to members on the distribution list for the ESG Task Force.

Please contact us if you or a colleague does not receive a calendar invite and would like to join one of the calls. We will circulate a more detailed summary of the consultation in advance of the member calls.

## Brief Summary of the Consultation

The SFC proposes to amend the Fund Manager Code of Conduct (FMCC) to require fund managers to take climate-related risks into consideration in their investment and risk

management processes. The proposal also would require asset managers to make climate risk disclosures. The SFC proposes to issue a circular setting out baseline requirements, 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.

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 requirements would cover four key elements:

1. Governance
2. Investment management
3. Risk management
4. Disclosure

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 (*i.e.*, they are not applicable to those who manage only part of a fund).

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#### **endnotes**

[1] See HK SFC, *Consultation Paper on the Management and Disclosure of Climate-related Risks by Fund Managers* (30 Oct 2020), available at <https://apps.sfc.hk/edistributionWeb/gateway/EN/consultation/doc?refNo=20CP5>.

[2] See ICI Memorandum No. 32672, available at [https://www.ici.org/my\\_ici/memorandum/memo32672](https://www.ici.org/my_ici/memorandum/memo32672).

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