

# FINANCIAL SERVICES INDUSTRY NEWS

## ■ ASSET MANAGEMENT

### Mutual Recognition of Funds between the Netherlands and Hong Kong

The Securities and Futures Commission (SFC) and the Dutch Authority for the Financial Markets (AFM) have entered into a Memorandum of Understanding on Mutual Recognition of Funds (MoU) on 15 May 2019. The MoU will allow eligible Hong Kong Collective Investment Schemes (CIS) and Dutch Undertakings for Collective Investment in Transferable Securities (UCITS) to be distributed in each other's market through a streamlined process.

The MoU establishes a framework for exchange of information, regular dialogue as well as regulatory cooperation in relation to the cross-border offering of eligible Hong Kong CIS and Dutch UCITS. In addition, a streamlined approach to the authorisation of funds also applies where Dutch fund managers have been appointed as managers of other European Union UCITS that qualify under the SFC recognised jurisdiction schemes regime.

"This new framework with the AFM will open up opportunities for the asset management industries in both markets and provide investors in Hong Kong and the Netherlands with more investment choices. We will continue to expand the mutual recognition of funds arrangements with other jurisdictions as part of the SFC's commitment to develop Hong Kong into an international asset management centre," said Mr Ashley Alder, the SFC's Chief Executive Officer.

"This newly established bridge between the Netherlands and Hong Kong constitutes an important stepping stone for the Dutch asset management industry seeking to develop activities in Asia. It leads to offering investors greater choice and diversification in their investments. We look forward to the opportunities this agreement will bring to our market, as well as to the enhanced cooperation between the AFM and the SFC. Together we will ensure that our industry players operate in a clear and robust supervisory framework and that investors receive proper protection," said Mr Gerben Everts, Board Member of the AFM.

Source: [www.sfc.hk](http://www.sfc.hk)





### Guidance on Enhanced Disclosures for Green or Environmental, Social and Governance Funds Issued

On 11 April 2019, the Securities and Futures Commission (SFC) issued a circular to provide guidance to management companies of SFC-authorized unit trusts and mutual funds on enhanced disclosures for SFC-authorized green or environmental, social and governance (ESG) funds which incorporate one or more of the globally recognised green or ESG criteria or principles as their key investment focus and reflect such in their name and investment objective or strategy.

The guidance is one of the regulatory initiatives of the SFC's Strategic Framework for Green Finance which includes, among others, providing disclosure guidance to facilitate disclosure and reporting of green-related investment products.

The SFC has evaluated the quality of disclosure of SFC-authorized green and ESG funds and found that a majority of them do not specifically disclose how investment managers integrate ESG factors into the criteria used in their investment selection process. The circular sets out the SFC's expectation on how the existing Code on Unit Trusts and Mutual Funds and disclosure requirements apply for SFC-authorized green or ESG funds and provides guidance to narrow the disclosure gap among these funds.

The SFC may provide further guidance or impose additional requirements for green or ESG funds, where appropriate. The SFC will also create a central database of SFC-authorized green or ESG funds on its website to enhance the visibility of these funds.

Source: [www.sfc.hk](http://www.sfc.hk)

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### HKSAR Government's Inaugural Green Bond Offering

On 22 May 2019, the HKSAR Government announced the successful offering of its inaugural Green Bond, demonstrating Hong Kong's strengths as a leading green finance hub in the region.

The Green Bond, with an issuance size of US\$1 billion and a tenor of 5 years, is a landmark transaction which sets an important new benchmark for potential issuers in Hong Kong and the region. Proceeds raised will be credited to the Capital Works Reserve Fund to finance or refinance public works projects that provide environmental benefits and support the sustainable development of Hong Kong.

The Green Bond saw strong demand from global investors, attracting orders exceeding US\$4 billion from over 100 global institutional investors from Asia, Europe and the United States including banks, fund managers, private banks, insurance companies, sovereign wealth funds, central banks and supranationals.

Source: [www.hkma.gov.hk](http://www.hkma.gov.hk)

## Measures to Promote Sustainable Banking and Green Finance Unveiled

On 7 May 2019, Hong Kong Monetary Authority (HKMA) unveiled three sets of measures to support and promote Hong Kong's green finance. These measures include:

1. Green and Sustainable Banking: to monitor and evaluate banks on promoting the green and sustainable developments of the Hong Kong banking industry after setting the relevant targets in consultation with the banking industry
2. Responsible Investment: as the manager of the Exchange Fund, the HKMA will adopt a principle that priority can be given to Green as well as Environmental, Social and Governance investments if the long term return is comparable to other investments on a risk-adjusted basis
3. Centre for Green Finance (CGF): Establish the CGF under the HKMA Infrastructure Financing Facilitation Office. It will serve as a platform for technical support and experience sharing for the green development of the Hong Kong banking and finance industry.

Source: [www.hkma.gov.hk](http://www.hkma.gov.hk)

## FINANCIAL TALENTS

### The Hong Kong Academy of Finance Established

The Hong Kong Academy of Finance (AoF) was formally established on 26 June 2019 with the objective to enhance the quality and professionalism of the people in the financial services industry of Hong Kong. The mission of the AoF is to serve as a centre of excellence for developing financial leadership and a repository of knowledge in monetary and financial research, including applied research.

On the leadership development front, the AoF will develop and run a Leadership Development Programme for senior management and promising talents from financial institutions, regulators, professional firms and academia in the field of finance. It will invite top financial leaders from around the world to speak and share their insights through seminar series, workshops and small group discussions.

On the research front, the Hong Kong Institute for Monetary and Financial Research, as a subsidiary of the AoF, has expanded its scope of work to cover Applied Finance Research and Thought Leadership in addition to its work in Monetary and Financial Economic Research.

Source: [www.aof.org.hk](http://www.aof.org.hk)



*Financial Secretary, Mr Paul Chan, speaks at the Hong Kong Academy of Finance Inauguration Ceremony*



### Reform of Interest Rate Benchmarks

As an international financial centre and a member of the Financial Stability Board (FSB) under G20, Hong Kong is obliged to follow recommendations from FSB, including identifying an alternative reference rate (ARR) for Hong Kong Interbank Offered Rate (HIBOR) with a view to enhancing the reliability and robustness of interest rate benchmarks.

HIBOR has been in place for many years and is widely recognised by market participants. HIBOR-based mortgages accounted for 86 percent of mortgage loans approved in March 2019. In addition to mortgages, HIBOR is also extensively used in syndicated loans offered to corporations.

The Treasury Markets Association has earlier proposed adopting the Hong Kong Dollar Overnight Index Average (HONIA) as the ARR for HIBOR. In line with the FSB's recommendation, HONIA is an overnight interbank funding rate based solely on transaction data. However, some technical difficulties would have to be overcome before making a switch to HONIA. There is currently no plan to discontinue HIBOR in Hong Kong. In other words, HONIA and HIBOR will co-exist in the market.

On the other hand, Hong Kong is also required to prepare for the phasing-out of London Interbank Offered Rate (LIBOR) which is used to be adopted in the terms of contracts for financial products.

The HKMA will continue to work closely with the industry to ensure a smooth transition in the banking sector once the ARRs replace the interbank offered rates.

Source: [www.hkma.gov.hk](http://www.hkma.gov.hk)

## CONTACT US

If you would like to know more about how InvestHK's Financial Services team can help you to set up or expand your business in Hong Kong, please get in touch. Our services are free, confidential and tailored to your needs.

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