

# Regulatory engagement

## IOSCO

We are active in international policy making. Mr Ashley Alder, the SFC's Chief Executive Officer (CEO), chairs the Board of the International Organization of Securities Commissions (IOSCO). In November, Mr Alder chaired the Presidents Committee meeting of all IOSCO members where he presented his views on IOSCO's priorities and strategy. He also chaired an IOSCO Board meeting which discussed sustainable finance, including the establishment of the International Sustainability Standards Board (ISSB), conduct in corporate bond markets and IOSCO priorities for 2022.

During the quarter, we participated in meetings of the IOSCO Financial Stability Engagement Group (FSEG), including its Steering Group. The FSEG leads IOSCO's COVID-19 and other responses related to financial stability issues.

Ms Julia Leung, our Deputy CEO and Executive Director, Intermediaries, is a Vice Chair of the IOSCO Sustainable Finance Task Force (STF) and co-leads a workstream on sustainability practices, policies, procedures and disclosure in asset management. The STF published two reports in November setting out regulatory expectations for asset managers and ESG<sup>1</sup> rating and data providers. We participated in the task force's Technical Expert Group which engaged with the IFRS Foundation to develop a climate-related disclosures prototype, published in November, which will be considered by the new ISSB with a view to developing a global baseline for corporate sustainability reporting standards.

We participate in all eight IOSCO policy committees, the Committee on Emerging Risks, the Assessment Committee and the Asia-Pacific Regional Committee (APRC). At the APRC meeting in November, we presented the newly-published STF recommendations for asset managers. We also took part in a December Assessment Committee meeting which discussed the status of the Financial Sector Assessment Program (FSAP)<sup>2</sup>.

Mr Alder co-chairs the CPMI<sup>3</sup>-IOSCO Steering Group, which is involved in the regulatory policy work for the oversight and supervision of central counterparties and the application of the CPMI-IOSCO Principles for Financial Market Infrastructures to global stablecoin arrangements.

## Financial Stability Board

In his role as IOSCO Board Chair, Mr Alder participates in Financial Stability Board (FSB) meetings including those of the Steering Committee, Plenary, Standing Committee on Supervisory and Regulatory Cooperation and Steering Committee Group on Non-bank Financial Intermediation. During the quarter, the discussions focused on financial stability, climate-related initiatives, asset management and issues arising from COVID-19.

We are also actively involved in the work of the FSB Standing Committee on Standards Implementation.

## Green and sustainable finance

During the period, our senior executives spoke to local and international audiences about the development of green and sustainable finance.

Our Chairman Mr Tim Lui discussed Hong Kong's unique position to emerge as the regional green finance hub in keynote speeches delivered in November at a summit co-hosted by the World Green Organisation and the United Nations Economic and Social Commission for Asia and the Pacific and an industry conference on ESG technology and data.

In November, Mr Alder attended the 26th UN Climate Change Conference of the Parties in Glasgow, Scotland where he spoke about sustainability disclosure and the significance of the establishment of the ISSB and also gave a keynote speech at the UK Government's Green Horizon Summit on pathways to achieving net zero targets. Locally, he delivered a keynote address at the Eco Expo Asia and the Hong Kong Green Finance Association Annual Forum and joined the discussions at the HKEX Green Summit 2021.

Ms Julia Leung, Vice Chair of the IOSCO STF, highlighted the implications of the task force's work on asset managers at the Managed Funds Association's global summit in November.

1 Environmental, Social and Governance.

2 Jointly conducted by the International Monetary Fund and the World Bank, the FSAP provides a framework to help authorities identify financial system vulnerabilities and develop policy responses.

3 Committee on Payments and Market Infrastructures.

## Regulatory engagement

At a December meeting, the Hong Kong Green and Sustainable Finance Cross-Agency Steering Group<sup>4</sup>, co-chaired by the SFC and the Hong Kong Monetary Authority, discussed carbon market development, climate-related disclosure, taxonomies<sup>5</sup>, capacity building and climate-related data needs and gaps. The steering group completed a preliminary assessment of carbon market opportunities for Hong Kong and will explore ways for it to grow into a regional carbon trading centre, including the development of a global, high-quality voluntary carbon market. As part of this effort, the steering group will work with other authorities on carbon market opportunities under the Guangdong-Hong Kong-Macao Greater Bay Area cooperation framework.

### Mainland China

During the quarter, we worked closely with the Mainland authorities to broaden mutual market access initiatives and held regular discussions with the China Securities Regulatory Commission (CSRC) to enhance cross-boundary regulatory cooperation.

In December, the Mainland and Hong Kong exchanges and clearing houses reached an agreement on arrangements for including eligible exchange traded funds in Stock Connect in accordance with an earlier joint announcement by the SFC and CSRC.

### Other regulatory engagement

In December, we held the 13th Bilateral Regulatory Meeting with the Taiwan Financial Supervisory Commission to exchange views on regulatory reforms in the two markets, sustainable finance and enforcement cooperation in tackling online investment scams on social media platforms.

<sup>4</sup> Other members of the steering group include the Financial Services and the Treasury Bureau, Environment Bureau, Hong Kong Exchanges and Clearing Limited, Insurance Authority and Mandatory Provident Fund Schemes Authority.

<sup>5</sup> Taxonomies provide a common reference point for the definition of investments which are considered to be environmentally sustainable.