

Arthur Yuen: Greening financial institutions

Welcome remarks by Mr Arthur Yuen, Deputy Chief Executive of the Hong Kong Monetary Authority, at the HKMA and International Finance Corporation (IFC) Seminar on “Greening Financial Institutions”, Hong Kong, 11 October 2019.

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1. Vivek (Pathak), ladies and gentlemen, good morning.
2. It gives me great pleasure to welcome you to today’s seminar on greening financial institutions.
3. The effects of climate change are already visible around the world. In the past four decades, we have witnessed some of the warmest years on record, and the number of natural disasters has more than doubled. In Asia, 50% of our urban population are living in low-lying coastal zones and flood plains. The long-term effects of climate change will likely bring damages to our economies and businesses.
4. Hong Kong sits along the coast and therefore climate change risk is particularly relevant to us. For instance, I believe banks in Hong Kong felt impacted by the Super Typhoon Mangkhut from last year. Whereas properties close to the harbour used to be valued better, banks would now have more considerations on their valuations when granting mortgages.
5. Under this setting, not only are the governments being compelled to act in the face of climate change, most notably under the 2015 Paris Agreement, there is also a growing consensus amongst central banks and financial regulators to take a more proactive stance against these risks.
6. For example, the Central Banks and Supervisors Network for Greening the Financial System, commonly known as the NGFS, in which over 40 central banks and supervisors have already reached a consensus: and I quote, “*climate-related risks are a source of financial risk and therefore fall squarely within the mandates of central banks and supervisors to ensure that the financial system is resilient to these risks.*” The HKMA is a member of NGFS, and we are fully on board with this
7. The Bank for International Settlements is also committed to supporting green finance and investment practices, and supports the NGFS research on climate-related risks and their implications for financial stability.
8. The HKMA has many roles – as a bank regulator, one of the largest asset owners globally, and a key promoter of market development. Hence, the HKMA is in a very advantageous position to promote green and sustainable finance in Hong Kong. In May this year, we unveiled three sets of measures on green finance:
9. The first measure is a three-phased approach to promote Green and Sustainable Banking in Hong Kong. Initially, to develop a common framework to assess the existing baseline of individual banks to establish how “green” they are, by talking to the industry to identify the parameters to be included in the assessment; secondly, to engage and consult the industry on whether supervisory requirements are needed; and if needed, how the HKMA should develop our supervisory expectation or requirements; and thirdly to focus on implementation, monitoring and evaluation.
10. The second measure relates to responsible investment by the Exchange Fund. The Exchange Fund now adopts a guiding principle that priority will be given to Green and ESG investments, if the long term return is comparable with other investments on a risk-adjusted basis.
11. Our third measure is the launch of the Centre for Green Finance under the HKMA’s Infrastructure Financing Facilitation Office, focusing on capacity building to facilitate the equipping of financial institutions with the knowledge, skills, tools and other resources in green finance.

12. In fact, we're now in our developmental plan to prepare banks for the upcoming changes. A working group on the assessment framework has been in place since August, and today's seminar marks the beginning of the capacity building programme for the Centre for Green Finance. On the other hand, the assessment framework will help banks understand their readiness for change, while the capacity building events will equip practitioners with the necessary knowledge for the changes.
13. For today's seminar, we will first invite the IFC to provide an overview of the opportunities and challenges to green banking, and introduce some case studies on their approach to assisting banks in "greening" their operations. This afternoon, several banks will share their initiatives and practical experience on their green journey, including governance, risk management, disclosure and green products and business policy.
14. And here I would like to extend our special thanks to the IFC for their dedicated support for this workshop. Their expertise will surely benefit our audience today. I would also like to thank HSBC, Standard Chartered Bank, Citibank, BOC and BNP Paribas for sharing their experiences with everyone later today.
15. Ladies and gentlemen, I wish you all a fruitful workshop and I look forward to working closely together with the industry to develop green and sustainable banking in Hong Kong. Thank you very much.