

Arthur Yuen: Building capacity for developing transition finance ecosystems in Asia

Keynote speech by Mr Arthur Yuen, Deputy Chief Executive of the Hong Kong Monetary Authority, at the Capacity-building Alliance of Sustainable Investment (CASI) Sustainability Forum on "Building capacity for developing transition finance ecosystems in Asia", Hong Kong, 12 September 2025.

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Dr Ma (Chairman of CASI), Professor He (Director of HKU Jockey Club Enterprise Sustainability Global Research Institute), Paul (Managing Director, Global Partnerships & Client Solutions, CFA Institute), ladies and gentlemen, good morning.

It is a pleasure to be back at the Capacity-building Alliance of Sustainable Investment (CASI) Sustainability Forum. Let me first thank fellow co-hosts – CASI, HKU Jockey Club Enterprise Sustainability Global Research Institute, and CFA Institute – for hosting this meaningful event again in Hong Kong.

It is encouraging to have so many of you joining us in person and online on the final day of the Hong Kong Green Week to discuss this pressing issue in Asia – how to build capacity for transition finance.

Asia plays a critical role in the global efforts to decarbonise. In fact, one may say that the battle for net zero will be won or lost here in Asia. The region accounts for over half of the world's emissions, warming twice as fast as the global average.¹ At the same time, it is home to many emerging and developing economies whose growth remains heavily reliant on fossil fuels. These economies are also among the most vulnerable to the impacts of climate change, such as extreme weather events and biodiversity loss.

The International Monetary Fund (IMF) estimates that emerging and developing Asia would need to invest at least US\$1.1 trillion per year into climate actions. Yet actual investment falls short by about US\$800 billion.² To bridge this gap, and to steer Asia through its dual challenges of socioeconomic development and decarbonisation, it is imperative that we build an ecosystem which can facilitate fund flows to where they are the most needed – the brown-to-green transition.

While transition finance is gaining traction, it still represents a relatively small fraction of the sustainable finance markets. Transition bonds and sustainability-linked bonds (including transition-linked bonds), for instance, account for less than 10% of the sustainable bond markets in the ASEAN Plus Three.³ That number needs to grow, and can grow with a conducive ecosystem.

The HKMA is steadfast in our commitment to nurturing the sustainable finance ecosystem in Hong Kong and beyond. Last October, we launched our Sustainable Finance Action Agenda, setting out both visions and a concrete action plan to consolidate Hong Kong's role as the region's sustainable finance hub. We endeavour to provide the industry with guidance that is sufficiently forward-looking and comparable with other major markets, as well as stepping up capacity-building efforts to nurture

talent and sharpen their competitive edge. To bring our vision to life, we have begun taking steps to address the pain points faced by the industry by closing gaps in standards, readiness, information, and talents.

"What is green?" is one of the most frequently asked questions by the industry, highlighting a need for clarity on the definition. To address the gap in standards, the HKMA published Phase 1 of the Hong Kong Taxonomy for Sustainable Finance as an enabling tool to help market participants make informed decisions regarding green and sustainable finance and to scale up relevant capital flows.

We are making steady progress on this front. Earlier this week, we launched a consultation on the prototype of Phase 2A taxonomy. In this phase, we expand sector coverage by adding manufacturing as well as information and communications technology (ICT) to the original four sectors. We also increase the number of economic activities from 12 to 25, and provide updates to technical screening criteria for some Phase 1 activities.

More importantly, we added transition elements to the taxonomy, including interim decarbonisation targets, supportive measures, and sunset dates. A new environmental objective on climate change adaptation is also introduced to address the growing funding needs for managing physical risks and responding to extreme weather events. Looking ahead, we will continue our engagement with stakeholders to refine and update the taxonomy.

That naturally leads to the next question: "How do we transition?", bringing us to the discussion of the gap in readiness. In order to enhance banks' resilience and management of risks associated with the real economy's transition, the HKMA has been supporting banks' transition planning efforts through different policies.

In December 2024, to facilitate information sharing and to encourage banks to step up their transition planning, the HKMA issued some good practices based on the results of an earlier survey.

In addition, we have been working on a set of draft guidelines to provide guidance on transition planning, and we have consulted the industry on the draft guidelines and understand that banks would like to have more clarity and details. We are revising the guidelines based on the feedback received, and will continue to engage the industry as we move forward.

Let us now turn to the gap in information and the question: "What do we know?". Without consistent and comparable information, it is challenging for the entire ecosystem to assess and respond to climate-related risks and opportunities. As a leading hub for sustainable finance, Hong Kong is committed to promoting climate and sustainability-related disclosure. Last year in December, the Government launched a roadmap which shows our commitment to adopting the ISSB Standards.

For the banking sector, it is also vital to enhance transparency and align disclosures with international standards. The Basel Committee issued a disclosure framework on

climate-related financial risks in June this year. The HKMA will leverage on both ISSB Standards and the Basel disclosure framework to enhance sustainability disclosure requirements for the sector.

Currently, we are undertaking preparatory work, including analysing the current sustainability disclosure landscape, challenges and practices of the industry, to inform the policy formulation process. We will work out a proposal setting out the timeline and approach for implementing the requirements.

Last but not least, we need to ensure that there are sufficient talents to support the smooth operation of the markets. To this end, the HKMA has spared no effort in capacity building to help the industry unlock its full potential. For instance, since 2022, we have been administering the Government's Pilot Green and Sustainable Finance Capacity Building Support, or CBSS. Under the CBSS, we subsidise students and working professionals for sustainable finance-related training and qualifications. To date, more than 7,600 reimbursements have been approved, amounting to over HK\$42 million. The HKMA is also the first Regional Anchor to work with the International Finance Corporation on the Alliance for Green Commercial Banks, which organises a diverse range of capacity building events for both front-line practitioners and senior executives from banks in Asia. The Alliance currently has 18 member banks and will keep reaching out to more.

These efforts have helped the industry raise awareness and narrow skill gaps. In our latest study, "Capacity Building for Future Banking, 2026–2030", 89% of respondents identify sustainable finance as a major growth opportunity. They also note that the banking professionals in Hong Kong now possess a greater understanding of sustainable finance products, such as green bonds and green project finance. Nevertheless, the study also finds that new gaps have emerged in more specialised skills and the understanding of emerging markets.

Capacity building needs evolve together with the market. To this end, in November 2024, the HKMA launched the Professional Level of Enhanced Competency Framework – Green and Sustainable Finance module, also known as the ECF-GSF. This helps the middle and senior-level banking practitioners acquire knowledge and develop skills in specialised domain areas covering upcoming market developments and regulatory trends. We will also continue to enhance the CBSS to cover a more diverse range of courses and qualifications to meet the evolving needs of the industry.

We have a rich agenda today, and I will not keep you any longer. Let me conclude by saying that we, at the HKMA, firmly believe that Hong Kong can and should play an enabling role in Asia's transition. And we will continue to collaborate with like-minded institutions to ensure that the industry is equipped with the knowledge and know-how to facilitate this transition.

I wish you all a fruitful event today. Thank you.

¹ <https://wmo.int/news/media-centre/rising-temperatures-and-extreme-weather-hit-asia-hard>

² <https://www.imf.org/en/Publications/Departmental-Papers-Policy-Papers/Issues/2024/01/29/Unlocking-Climate-Finance-in-Asia-Pacific-Transitioning-to-a-Sustainable-Future-541458>

³ <https://www.adb.org/sites/default/files/publication/1059781/asia-bond-monitor-june-2025.pdf>