



Hong Kong General Chamber of Commerce
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31 May 2018

Dr Michael P H Lam
Chief Executive Officer
Hong Kong Quality Assurance Agency
19/F, K Wah Centre
191 Java Road, North Point
Hong Kong

Dear Dr Lam,

Proposed enhancements to the HKQAA's Green Finance Certification Scheme

The Chamber welcomes and supports the establishment of a Green Finance Certification Scheme ("the Scheme") as a concrete measure to further develop Hong Kong as a premier international financial centre.

Although the Scheme is useful in helping Hong Kong to capture opportunities arising from the sizeable and robust market in green financing, we feel that there are certain aspects of the Scheme that would benefit from enhancements, details that are set out in the attached document. I hope you will agree that the proposals are both pragmatic and attainable in making the Scheme more relevant and user-friendly.

We shall be happy to provide further information as appropriate.

Yours sincerely



Shirley Yuen
CEO

Encl.

cc: Mr James Lau, Secretary for Financial Services and the Treasury

Hong Kong General Chamber of Commerce (“HKGCC”) Proposals to improve delivery of the Green Finance Certification Scheme

The Chamber supports the Government’s initiative to introduce a green bond certification scheme (the Scheme), which is currently overseen by the HKQAA. We believe that the Scheme would be conducive to maintaining Hong Kong as the preferred and strategic gateway for Mainland China’s green funding requirements, which are estimated to be in excess of US\$1.5 trillion based on the nation’s goals as set forth under the 13th Five-Year Plan. The potential associated with green financing is quite considerable and offers significant opportunities for Hong Kong’s investment management, derivative, insurance and private equity industries.

Given the significance of the Scheme in promoting Hong Kong as a green finance centre, it is important that the tools and instruments to support such activities are relevant and serve their intended purpose. Although the Scheme’s design is, for the most part, adequate, we would like to suggest that attention be given to the following:

International mutual recognition – It would appear that the Scheme, as it currently stands, does not cater for the mutual recognition of green financing instruments that have already gained accreditation in other jurisdictions. As such, these green bonds would have to be subjected to a full vetting process again under the Scheme. This would be too cumbersome and costly, and could deter prospective issuers from listing in Hong Kong. We suggest remedying this shortcoming with HKQAA conferring debt/financing instruments with the same certification status as those recognised under the Scheme if such debt/financing instruments have already obtained approval under such programmes as the United Nations Framework Convention on Climate Change’s Clean Development Mechanism, the International Capital Market Association’s Green Bond Principles, the People’s Bank of China Announcement No. 39 and its Annex – Green Bond Endorsed Project Catalogue, and ISO 26000:2010 Guidance on Social Responsibility, among others.

One-off verification - The Scheme currently requires a green finance issuer to verify, through its Environmental Method Statement, that there are continuous and effective efforts to safeguard the environment. We agree that monitoring should be implemented but the responsibility should not be placed on the issuer. We believe this requirement to undergo ongoing audits to be disproportionately excessive when it is the underlying activity that is being funded, which should be subjected to such recurring appraisals. A more equitable approach would be to adopt a one-off verification process after a project has commenced.

Right to appeal - We note that the Scheme does not provide an appeal mechanism for unsuccessful applicants and suggest that consideration be given to incorporating such a procedure. We would further suggest that the review process should be transparent and fair. As well, there should be commitments to render such a process expeditious, straightforward and cost-efficient.

Expansion of Scheme delivery entities – The designation of HKQAA to provide third-party conformity assessment services is welcomed but in the interest of promoting choice other equally qualified bodies should also be vested with similar authority as the HKQAA. In that connection, we suggest that consideration be given to additional financial authorised agents in determining applicants’ eligibility for green certification under the Scheme.