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From : Clerk to the Legislative Council

To : All Members of the Legislative Council

Council meeting of 14 November 2018

Proposed resolution under the Loans Ordinance

The Secretary for Financial Services and the Treasury will move the proposed resolution in **Appendix 1** under section 3(1) of the Loans Ordinance (Cap. 61) at the above meeting. The President has directed that the proposed resolution be printed in the terms in which it was handed in on the Agenda of the Council.

2. The speech, in both Chinese and English, which the Secretary will deliver when moving the proposed resolution is in **Appendix 2**.

(Dora WAI)
for Clerk to the Legislative Council

Encl.

Loans Ordinance

Resolution

(Under section 3(1) of the Loans Ordinance (Cap. 61))

Resolved that—

- (a) the Government be authorized to borrow from time to time, from any person for the purposes of the Capital Works Reserve Fund established by the Resolution published in the Gazette as Legal Notice No. 18 of 1982, sums not exceeding in total \$100 billion or equivalent, being the maximum amount of all borrowings made under this paragraph that may be outstanding by way of principal at any time; and
- (b) sums borrowed under paragraph (a) are to be credited to the Capital Works Reserve Fund.

**Speech by the Secretary for Financial Services and the Treasury
at the Legislative Council Meeting on 14 November 2018**

Loans Ordinance (Chapter 61)

Resolution to Implement the Government Green Bond Programme

President,

I move the motion on the Agenda pursuant to the Loans Ordinance.

2. This Resolution seeks to authorise the Government to borrow, under section 3(1) of the Loans Ordinance, for the purposes of the Capital Works Reserve Fund (“CWRP”), sums not exceeding HK\$100 billion or equivalent that may be outstanding by way of principal under the Government Green Bond Programme (“the Programme”). Sums borrowed under this authorisation will be credited to the CWRP to finance projects with environmental benefits under the Public Works Programme of the Government approved by the Finance Committee (“FC”), including but not limited to projects relating to renewable energy, energy efficiency, pollution prevention and control, waste management, water and wastewater management, and green/low carbon building.

3. We propose that the borrowing ceiling, which refers to the maximum amount of outstanding principal at any time under the Programme, should be set at HK\$100 billion in order to promote the sustainable development of green finance in Hong Kong, and demonstrate our support for sustainable development and determination to combat climate change. Sums borrowed under this authorisation will be credited to the CWRP.

4. To demonstrate the green credibility of the Programme, the Programme will align with guidelines/standards widely accepted by global investors for green bond issuance in terms of the use of proceeds for projects with environmental benefits, the process for evaluation and selection of such projects, the management of proceeds, and the periodic reporting of project information after issuance. To follow the best market practice and set a good example for other potential green issuers, we plan to engage independent reviewers to verify and/or certify the alignment of frameworks of individual issuances under the Programme with the green bond issuance standards. To this end, we would consider inviting the Hong Kong Quality Assurance Agency (“HKQAA”) to provide review and certification services for the Programme.

5. The Programme will only finance public works projects with environmental benefits and approved by the FC under the existing mechanism. The relevant Government bureaux and departments will establish internal guidance, guidelines and procedures to implement the Programme. Expenses under the Programme will be met by the CWRP. To attract international investors to use Hong Kong for green financing and investing, we should follow the best and most common international practices, and target the most influential international green investors. We therefore consider the initial tranches under the Programme should target at institutional investors. We will review the arrangement when we have gained more experience on green bond issuance, and consider issuance of retail government green bond.

6. The Primary objective of the Programme is to promote the development of green finance in Hong Kong. Implementation of the

Programme will help consolidate Hong Kong's status as an international financial centre and establish Hong Kong as a green finance hub in the region.

7. A number of multilateral development banks, namely Asian Development Bank, World Bank and European Investment Bank, have issued green bonds in Hong Kong this year. To assist and attract corporates to issue green bonds in Hong Kong, a Green Bond Grant Scheme was launched this June to subsidise qualified green bond issuers in obtaining green bond certification under the Green Finance Certification Scheme ("GFCS") established by HKQAA. We would also strengthen efforts to publicise Hong Kong's competitive capital markets and highlight our edge in developing green financial products.

8. President, subject to authorisation, the Hong Kong Monetary Authority will assist the Government in implementing bond issuance under the Programme. I invite Members to support this Resolution to facilitate the launch of the Programme and the issuance of an inaugural government green bond as soon as possible. I would also like to take this opportunity to thank the Subcommittee set up to scrutinize the Resolution for its hard work over the last four months or so under the chairmanship of Ir Dr Hon Lo Wai-Kwok. Thank you.

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