

REGULATORY NEWSLETTER



2022 Vol.5



The summertime is about to start and the spring is coming to an end. Hong Kong will relax more social-distancing restraints during mid-May despite the fluctuating daily number of Covid-19 cases, with the facilities finally opening four months after the suspension of operations. ComplianceDirect will continuously provide you with professional consultation and compliance advice which ensures your progress runs smoothly and advice addresses questions you need answers to. Remember that the pandemic will not last forever and we are starting to see some good signs. We wish everyone good health and joy in your lives.

REGULATORY UPDATES

Circular on the supervisory standards and key requirements on the use of premium financing to take out long-term insurance policies

1 Apr 2022

The recent growth of the use of premium financing to fund premium payment when taking out long term insurance policies in the market, the Insurance Authority (following discussions with the Hong Kong Monetary Authority) issues this circular to clarify the supervisory standards and key requirements in the existing codes of conduct and guidelines, for authorized long-term insurers (“insurers”) and licensed insurance intermediaries (“insurance intermediaries”) when carrying out their insurance operations and regulated activities with respect to the use of premium financing by (potential) policy holders (“customers”).

- Affordability assessment in respect of premium financing
- Additional measures for customers with risk of over-leveraging
- Disclosure
- Sales practice, training and other aspects
- Compliance with the supervisory standards and key requirements

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Launch of the Green and Sustainable Finance ("GSF") Data Source Repository

1 Apr 2022

The IA would like to announce that under the Green and Sustainable Finance Cross-Agency Steering Group ("CASG"), the Centre for Green and Sustainable Finance ("GSF Centre") has launched the GSF Data Source Repository which is now available at <https://www.hkma.gov.hk/eng/key-functions/international-financial-centre/green-and-sustainable-finance/gsf-data-source-repository/>.

The repository was recommended and compiled by the GSF Centre's Data Working Group. The Data Working Group, which is co-chaired by the Hong Kong Federation of Insurers ("HKFI") and Citi, aims to study data needs, identify data gaps, and recommend ways to address such gaps identified to support green and sustainable finance.

The repository contains a set of available data sources for assisting climate risk management and other green and sustainable finance related analysis and research. It was compiled based on current industry practice and it is not exhaustive. The data sources in the repository were mainly produced by reputable international organisations, governments, academic institutions and not-for-profit organisations.

The repository contains data sources in six major areas:

1. Climate-related risks – including datasets that facilitate assessment in relation to exposure to physical and transition risks under different emissions scenarios and time horizons.
2. Climate scenarios – including scenarios models and projections that facilitate climate risk analysis and stress testing, or for research and policy purposes.
3. Climate-related targets, actions and assessment – including datasets that facilitate assessment of portfolio alignment to well-below 2°C or 1.5°C emissions scenarios, and carbon reduction assessment and target setting on country, city or company levels.
4. Carbon exposure – including datasets that enable analysis of carbon exposure and efficiency.
5. Other ESG related – including datasets that measure exposure to ESG risks and relevant management.
6. Macroeconomics – including economic and financial datasets that assist in conducting climate analysis and identifying potential opportunities arising from the transition to a low carbon economy.

The potential use of these data sources for the insurance industry would include managing climate-related risks in their businesses and facilitating companies in setting climate-related goals and strategies. We hope that you would find them useful.

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The Publication of The International Sustainability Standards Board Proposed Standards for Public Consultation

11 Apr 2022

We would like to inform you that the International Sustainability Standards Board (“ISSB”) has published the proposed general requirements for disclosure of sustainability-related financial information and the climate disclosure requirements and is seeking feedback on these proposals over a consultation period closing on 29 July 2022. For details, please refer to ISSB’s announcement available at <https://www.ifrs.org/news-and-events/news/2022/03/issb-deliversproposals-that-create-comprehensive-global-baseline-of-sustainability-disclosures/>.

The proposed standards are built on, among others, the recommendations of the Task Force on Climate-related Financial Disclosures (“TCFD”) and are intended to form a comprehensive and effective global baseline of sustainability disclosures, which set out requirements for the disclosure of material information about a company’s significant sustainability-related risks and opportunities that is necessary for investors to assess a company’s enterprise value. The ISSB aims to finalise the standards by the end of 2022.

Among other materials published by the ISSB in its announcement, you may wish to take a closer look at the Exposure Draft IFRS S1 General Requirements for Disclosure of Sustainability-related Financial Information, the Exposure Draft IFRS S2 Climate-related Disclosures; and Volume B17 on Insurance under the Appendix B Industry-based disclosure requirements to the Exposure Draft IFRS 2.

The Green and Sustainable Finance Cross-Agency Steering Group, which the Insurance Authority is a member of, welcomed ISSB’s publication of the proposed standards. We would like to encourage the insurance sector and all interested stakeholders to participate in the ISSB consultation. We will work closely with the industry and other key stakeholders to evaluate and gather feedback on how the ISSB’s proposed disclosure requirements can be applied in Hong Kong.

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ComplianceDirect Consulting Limited

Address: Unit 2, 10/F, Cheong K. Building, 84 & 86 Des Voeux Road Central, Central, Hong Kong

Phone: 2606 1800

Website: www.compliancedirecthk.com