



## Virtual assets

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Globally, as other regulators are formulating newer and tougher regulation, the SFC has consistently applied a risk-based and same risk, approach. The predictability and clarity of our current framework would provide a solid foundation for virtual asset service providers to establish locally and for traditional financial institutions to interface with these providers to offer a diversity of virtual asset products to clients. It is now clear that the sooner the crypto industry embraces regulation, the faster it can become part of mainstream finance.

## Sustainable finance

Next, I will move on to a subject of growing significance in the asset management space sustainable finance. Climate change is a reality, and extreme weather now threatens every aspect of our lives. When the whole world is experiencing the dramatic impacts of extreme weather and the aftermath of these events, including flooding and energy shortages, the financial sector has to do its part in achieving the net zero target. Alternative asset managers have been at the forefront of tackling climate change. Your institutional clients such as pension funds and sovereign funds now have a better understanding of their role in financing a transition to a low carbon economy.

As a financial regulator, the SFC was among the first in the region to adopt a mandatory approach to requiring fund managers to incorporate climate-related risks in their investment decisions, risk management and related disclosures. After extensive consultation with the asset management industry, including AIMA, the SFC amended our Fund Manager Code of Conduct to provide guidance in this regard. This established our ESG<sup>7</sup> leadership as an asset management hub. And just last month, the first phase of the new regulatory requirements came into effect, with quantitative disclosure expected in mid-2023.

The demand for reliable ESG ratings and data products are constantly growing. We share

products provided by different ESG service providers. Without adequate transparency from the providers about the approaches and methodologies they use, the quality of the risk assessment performed by fund managers may be called into question. As a next step, we ta product providers, beginning with

a fact-finding exercise to understand the business operating model of these ESG service providers as well as current market practices of fund managers when selecting and engaging with these providers. The study will help us prepare guidance for the asset management industry on using ESG service providers.

Further



Scheme. This is a subsidy scheme to encourage industry professionals to attend courses and build up their knowledge of green and sustainable finance.

All of these initiatives will help fund managers embrace sustainability. The SFC will continue working with the asset management industry to boost a regional and international green finance centre.

## Conclusion