HONG KONG MONETARY AUTHORITY
香港金融管理局

Banking Policy Department

Our Ref: B1/15C
B9/197C

16 December 2024

The Chief Executive
All Authorized Institutions

Dear Sir/Madam,

Good Practices on Transition Planning

I am writing to share with the industry some key observations and good practices on transition planning, based on the responses of authorized institutions ("AIs") to a survey that the Hong Kong Monetary Authority ("HKMA") conducted in Q4 2023.

On 29 August 2023, the HKMA issued a circular setting out some high-level principles on transition planning.[1] In the circular, we stated that the HKMA would conduct a survey on AIs' practices in transition planning, with a view to sharing with the industry a range of practices based on the survey results. The survey was subsequently conducted in Q4 2023 on 38 AIs.

In addition, on 21 October 2024, the HKMA launched the Sustainable Finance Action Agenda ("Action Agenda"), setting out our vision to further consolidate Hong Kong's position as the sustainable finance hub in the region and support the sustainable development of Asia and beyond.[2] The Action Agenda sets out eight goals in four areas. Regarding transition planning, I wish to highlight here Goal #1, which is "all banks to strive to achieve net zero in their own operations by 2030 and in their financed emissions by 2050". As stated in the Action Agenda, the HKMA will support banks' efforts by providing further guidance.

[1] https://www.hkma.gov.hk/media/eng/doc/key-information/guidelines-and-circular/2023/20230829e1.pdf
[2] Circular: https://www.hkma.gov.hk/media/eng/doc/key-information/guidelines-and-circular/2024/20241021e1.pdf
Annex: https://www.hkma.gov.hk/media/eng/doc/key-information/guidelines-and-circular/2024/20241021e1a1.pdf

Following up on our commitment in the two aforementioned circulars that we will provide guidance on transition planning, we have set out in the **Annex** some key observations and good practices based on AIs' responses to the Q4 2023 survey. In parallel, we are preparing a new Supervisory Policy Manual module GS-2 on "Transition Planning" to set out our expectations on how AIs should manage and address the risks associated with the net-zero transition, including our expectations on how AIs should fulfill Goal #1 of the Action Agenda. We will consult the industry when the draft module is ready.

We encourage your institution to make reference to the good practices in the Annex when conducting transition planning. We will keep in view discussions in the international community, including in the Basel Committee on Banking Supervision, and consider providing further guidance in the future.

Should you have any questions about this circular, please contact Mr Roy Chan (rchchan@hkma.gov.hk), Mr Warwick Yuen (wchyuen@hkma.gov.hk) or Ms Renita Au (rau@hkma.gov.hk).

Yours faithfully,

Cho Hoi Hui
Acting Executive Director (Banking Policy)

cc: FSTB (Attn: Ms Tanna Chong)