

Module Outline

ECF on Green and Sustainable Finance (GSF)

Module 2 “Fundamentals of Green and Sustainable Finance”

Benchmarked HKQF Level:	4
No. of Credits:	10
Total Notional Learning Hours:	100
a) Class contact hours:	9 hours (3-hour per session x 3)
b) Self-study hours:	89.5 hours
c) Assessment hours:	1.5 hours
Pre-requisite:	NA

Module Objective

This module aims to develop candidates’ comprehensive knowledge, skills and understanding of Green and Sustainable Finance (GSF) and enhance their understanding about the fundamentals and current landscape of the GSF Market from local, regional and international perspectives. With the study of different GSF products and instruments, evaluate different factors relevant to green and sustainable investing, and assess to the carbon markets and their management, candidates will be able to understand how to help banks to provide relevant GSF products and services to their customers, and apply their know-how to support the transition to a low-carbon and sustainable world with the provision of GSF.

Module Intended Outcomes (MIOs) and Units of Competencies (UoCs)

Upon completion of the Module 2, candidates should be able to:

MIOs	Intended Outcomes / Competence	*Unit of Competencies (UoCs)
MIO-1	Assess the latest trends and developments of the GSF Market to understand how banks can align the investment and lending decisions with sustainability strategy and objectives.	107516L4 107519L4 109271L4 109401L4
MIO-2	Analyse the fundamentals for different GSF products and instruments and their applications.	
MIO-3	Apply the essential factors in green and sustainable investing, and the applications of ESG considerations in the investment process.	
MIO-4	Assess the carbon markets, carbon management and the latest developments.	

*Note: For the details of the UoCs, please refer to the Specification of Competency Standards (SCS) of [Retail Banking](#) and [Corporate & Commercial Banking](#) which were developed by HKCAAVQ.

Assessment

Examination duration:	1.5 hours
Examination format:	Multiple Choice Questions (MCQ) with 50 questions
Pass mark:	70%

Syllabus

Chapter 1: Overview of the GSF Market and its latest trends and developments	
1.1	Introduction to Green and Sustainable Finance (“GSF”)
1.1.1	- Defining GSF
1.1.2	- History, Stakeholders and the Ecosystem
1.1.3	- Net Zero and Going Beyond Carbon
1.2	Guidelines and Principles relating to GSF
1.2.1	- Equator Principles
1.2.2	- Green Loan Principles
1.2.3	- Green Bond Principles
1.2.4	- Sustainability Bond Guidelines
1.2.5	- Green Regulatory Developments
1.3	Latest Industry Trends and Developments
1.3.1	- GSF Market Trends in Hong Kong
1.3.2	- GSF Market Trends in China
1.3.3	- GSF Market Trends in the World
Chapter 2: Green and Sustainable Products and Instruments	
2.1	Types of GSF Products and Instruments
2.1.1	- Green and Sustainable Debt
2.1.2	- Green and Sustainable Securitisation
2.1.3	- Sustainable Trade Finance and ESG-related Derivatives
2.1.4	- Green and Sustainable Equity Investments
2.1.5	- HKQAA Green and Sustainable Finance Certification Scheme
2.2	Assessment Rationale for GSF Products and Instruments
2.2.1	- Relevance and Materiality for Key Performance Indicators (KPIs)

2.2.2	- Ambition Level for Sustainability Performance Targets (SPTs)
2.3	GSF Risk Management for Banks in Hong Kong
2.3.1	- ESG Risk Identification
2.3.2	- Integration of ESG Risks into Risk Management Framework
Chapter 3: Green and Sustainable Investing	
3.1	Introduction of Green and Sustainable Investing
3.1.1	- Green and Sustainable Investment Strategies
3.1.2	- Principles of Responsible Investment
3.2	ESG Analysis
3.2.1	- ESG Value Drivers and ESG Analysis
3.2.2	- ESG Risks and Opportunities for Banks
3.3	ESG Ratings and Scores
3.3.1	- ESG Rating Providers
3.3.2	- Conflict of Interest
3.4	Green and Sustainable Decision Process
3.4.1	- Green and Sustainable Investment Guidelines
3.4.2	- Green and Sustainable Asset Allocation and Portfolio Management
3.5	Data and Technology Solutions to GSF
3.5.1	- Data and Technology Solutions for Analysis and Integration
3.5.2	- Challenges and Solutions
Chapter 4: Carbon Market	
4.1	Introduction to the Carbon Market
4.1.1	- Overview of the Carbon Market
4.1.2	- Carbon Management
4.2	Voluntary and Compliance Carbon Markets
4.2.1	- Development and Impact to Financial Institutions and Corporates
4.2.2	- Comparison between Carbon Markets in China and Europe

Recommended Readings

Essential Readings:

1. HKIB Study Guide of ECF-GSF: Module 2: Fundamentals of Green and Sustainable Finance. (2024).

Supplementary Readings:

1. Asia Pacific Loan Market Association (APLMA), Loan Market Association (LMA), Loan Syndications and Trading Association (LSDA). (2023). Green Loan Principles. (<https://www.lsta.org/content/green-loan-principles/>)
2. CHEN, F.K.W., YU, D.K.Y., CHAN, A.N.K. (2023). The Way Forward in Green and Sustainable Financing in Hong Kong – A Reflection from the 2023-24 Budget. Mayer Brown. (<https://www.mayerbrown.com/en/perspectives-events/publications/2023/03/the-way-forward-in-green-and-sustainable-financing-in-hong-kong-a-reflection-from-the-2023-24-budget>)
3. Financial Services Development Council (FSDC). (2016) Hong Kong as a Regional Green Finance Hub. (<https://www.fsd.org.hk/media/1eontef/press-release-green-finance-english.pdf>)
4. Financial Services Development Council (FSDC). (2022). Developing into the Global ESG Investment Hub of Asia (<https://www.fsd.org.hk/en/insights/hong-kong-developing-into-the-global-esg-investment-hub-of-asia>)
5. Fitch Ratings. (2021). Green Securitisation: Developments and Challenges. (<https://www.fitchratings.com/research/structured-finance/green-securitisation-developments-challenges-15-04-2021>)
6. Hong Kong Monetary Authority (HKMA). (2022). Carbon Market Opportunities for Hong Kong. (<https://www.hkma.gov.hk/media/eng/doc/key-information/press-release/2022/20220330e3a1.pdf>)
7. Hong Kong Special Administrative Region (HKSAR). (2021). Hong Kong Green Bond Report. (https://www.hkqb.gov.hk/en/others/documents/Green_Bond_Report_2021.pdf)
8. International Chamber of Commerce (ICC). (2022) ICC Standards for Sustainable Trade and Sustainable Trade Finance : Overview of Wave 1 Framework. (<https://iccwbo.org/wp-content/uploads/sites/3/2022/11/icc-standards-for-sustainable-trade-trade-finance-wave-1-framework-nov22-vcompressed.pdf>)
9. International Organization of Securities Commissions (IOSCO). (2021). Environmental, Social and Governance (ESG) Ratings and Data Products Providers. (<https://www.iosco.org/library/pubdocs/pdf/IOSCOPD690.pdf>)
10. International Swaps and Derivatives Association (ISDA). (2021). Overview of ESG-related Derivatives Products and Transactions. (<https://www.isda.org/a/qRpTE/Overview-of-ESG-related-Derivatives-Products-and-Transactions.pdf>)
11. The International Capital Market Association (ICMA). (2021). Green Bond Principles. (<https://www.icmagroup.org/News/news-in-brief/green-and-social-bond-principles-2021-edition-issued/>)

12. The International Capital Market Association (ICMA). (2021). Sustainability Bond Guidelines. (<https://www.icmagroup.org/assets/documents/Sustainable-finance/2021-updates/Sustainability-Bond-Guidelines-June-2021-140621.pdf>)
13. The Organization for Economic Cooperation and Development (OECD). (2020). ESG Investing: Practices, Progress and Challenges. (<https://www.oecd.org/finance/ESG-Investing-Practices-Progress-Challenges.pdf>)
14. The Stock Exchange of Hong Kong Limited (HKEX). (2021). The Burgeoning Mainland Green ABS Market and the Potential Support from the Hong Kong Market. (https://www.hkex.com.hk/-/media/HKEX-Market/News/Research-Reports/HKEx-Research-Papers/2021/CCEO_GreenABS_202105_e.pdf?la=en)
15. United Nations Development Programme (UNDP). (2022). What are Carbon Markets and Why are they Important?. (<https://climatepromise.undp.org/news-and-stories/what-are-carbon-markets-and-why-are-they-important>)

Further Readings:

1. AsianInvestor. (2021). Client demand the driving force behind ESG investment in APAC: survey. (<https://www.asianinvestor.net/article/client-demand-the-driving-force-behind-esg-investment-in-apac-survey/473578>)
2. Credit Suisse. (2022). Treeprint: Carbon Markets – The beginning of the big carbon age. (<https://www.credit-suisse.com/media/assets/sustainability/treeprint-carbon-markets.pdf>)
3. Hong Kong Green Finance Association (HKGFA). (2020). Hong Kong Green and Sustainable Finance Survey. (<https://www.hkgreenfinance.org/wp-content/uploads/2020/11/Green-and-Sustainable-Finance-Survey.pdf>)
4. Klynveld Peat Marwick Goerdeler (KPMG). (2020). Green Finance - Emergence of New Green Products to Fund Decarbonization. (<https://assets.kpmg.com/content/dam/kpmg/xx/pdf/2020/04/green-finance-emergence-of-new-green-products-to-fund-decarbonization.pdf>)
5. South China Morning Post (SCMP). (2022). JPMorgan expects ESG bond issuance in Asia to nearly double in 2022 amid investor demand and climate change efforts. (<https://www.scmp.com/business/banking-finance/article/3154220/jpmorgan-expects-esg-bond-issuance-asia-nearly-double-2022>)
6. Standard & Poor's (S&P). (2022). Global Sustainable Bond Issuance To Surpass \$1.5 Trillion In 2022. (<https://www.spglobal.com/ratings/en/research/articles/220207-global-sustainable-bond-issuance-to-surpass-1-5-trillion-in-2022-12262243>)
7. Swiss Sustainable Finance. (2017). CFA Institute. Handbook on Sustainable Investments: Background Information and Practical Examples for Institutional Asset Owners. (<https://rpc.cfainstitute.org/en/research/foundation/2017/handbook-on-sustainable-investments>)