

Press release

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FSB stocktake considers climate risks and financial stability

The Financial Stability Board (FSB) today published a stocktake of financial authorities' experience in including climate-related risks in financial stability monitoring. It draws on information provided by FSB member national authorities, international bodies and a workshop with the private sector.

The stocktake finds that financial authorities vary in terms of whether – and to what degree – they consider climate-related risks as part of their financial stability monitoring. Around three-quarters of survey respondents consider, or are planning to consider, climate-related risks as part of their financial stability monitoring. Most focus on the implications of changes in asset prices and credit quality. A minority of authorities also consider the implications for underwriting, legal, liability and operational risks.

Authorities also consider the implications of these risks for financial institutions. Consideration of climate-related credit and market risks faced by banks and insurers appears more advanced than that of other risks, or of risks faced by other types of financial institutions. Some financial authorities have quantified – or have work underway to quantify – climate-related risks. Such work is hindered by a lack of consistent data on financial exposures to climate risks and difficulties translating climate change outcomes into changes in those exposures. No approach to quantification provides a holistic assessment of climate-related risks to the global financial system.

In some jurisdictions, climate-related risks are being integrated into microprudential supervision of banks and insurance firms (including via requirements for firms' stress testing and disclosure). However, such work is generally at an early stage. Some authorities report having set out – or being in the process of setting out – their expectations as to firms' disclosure of climate-related risks. In some cases such expectations explicitly refer to the recommendations of the FSB's Task Force on Climate-related Financial Disclosures.

The FSB will conduct further work by October 2020 to assess the channels through which physical and transition risks could impact the financial system and how they might interact. Particular focus will be given to the potential amplification mechanisms and cross-border effects, and to prioritising channels that could materialise in the short-to-medium term. The FSB will also consider the scope for work to assess available data through which climate-related risks can be monitored, as well as any data gaps. This work will build upon, and be coordinated with, that taking place in other relevant international fora.

Notes to editors

The 18 July 2020 communiqué of the G20 Finance Ministers and Central Bank Governors notes that the FSB is continuing to examine the financial stability implications of climate change.

In April 2015 the G20 asked the FSB to consider climate risk and in December 2015 the FSB launched the industry-led Task Force on Climate-related Financial Disclosures (TCFD) to develop recommendations on climate-related financial disclosures. The Task Force published its final recommendations in June 2017. The TCFD will publish its next status report in November.

The FSB coordinates at the international level the work of national financial authorities and international standard-setting bodies and develops and promotes the implementation of effective regulatory, supervisory, and other financial sector policies in the interest of financial stability. It brings together national authorities responsible for financial stability in 24 countries and jurisdictions, international financial institutions, sector-specific international groupings of regulators and supervisors, and committees of central bank experts. The FSB also conducts outreach with approximately 70 other jurisdictions through its six Regional Consultative Groups.

The FSB is chaired by Randal K. Quarles, Vice Chairman, US Federal Reserve; its Vice Chair is Klaas Knot, President, De Nederlandsche Bank. The FSB Secretariat is located in Basel, Switzerland, and hosted by the Bank for International Settlements.

For further information on the FSB, visit the FSB website, www.fsb.org.