FSB launches consultation on supervisory and regulatory approaches to climate-related risks

The Financial Stability Board (FSB) today published a report that aims to assist supervisory and regulatory authorities in developing their approaches to monitor, manage and mitigate cross-sectoral and system-wide risks arising from climate change and to promote consistent approaches across sectors and jurisdictions. Its recommendations focus on three areas:

- **supervisory and regulatory reporting and collection of climate-related data from financial institutions.** Consistent and comparable firm disclosures, based on a global baseline climate reporting standard, provide a good starting or reference point for the future development of regular standardised regulatory reporting requirements. Authorities may also require more granular and specific information for supervisory or regulatory purposes. The report includes recommendations on the identification of authorities’ information needs, reliability of data, use of common definitions and coordination towards common regulatory reporting requirements.

- **system-wide supervisory and regulatory approaches to assessing climate-related risks.** Supervisory and regulatory risk assessments and policies need to better incorporate understanding of the channels through which climate-related risks to financial institutions may be transferred across sectors or borders. The report includes recommendations on how authorities’ approaches should account for the potential widespread impact of climate-related risks across the financial system, including with respect to use of scenario analysis and stress testing exercises.

- **early consideration of other potential macroprudential policies and tools to address systemic risks.** Microprudential tools alone may not sufficiently address the cross-sectoral, global and systemic dimensions of climate-related risks. The report presents some of the early thinking on macroprudential policies and tools that could complement microprudential measures, and trade-off considerations.

The FSB is inviting comments on its recommendations and includes a set of questions for this purpose. The public consultation period ends on Thursday 30 June 2022. The final recommendations, incorporating feedback from the public consultation, will be published in Q4 2022.
Notes to editors

The development of regulatory and supervisory tools that allow authorities to address identified climate-related risks to financial stability in an effective manner, is one of the focus areas of the FSB’s Roadmap for addressing climate-related financial risks. Endorsed by the G20 in July 2021, the Roadmap sets out a comprehensive and coordinated plan for addressing climate-related financial risks, including steps and indicative timeframes needed to do so, and paves the way for implementation. The Roadmap covers four focus areas in total: firm-level disclosures, data, vulnerabilities, and regulatory and supervisory practices and tools. The FSB will publish a progress report, covering the first year of the Roadmap, in July 2022.

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 Klaas Knot, President of 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.