

Basel Committee
on Banking Supervision



BCBS Task Force on Climate-Related Financial Risks (TCFR): Update on current work

World Bank FinSAC International Conference, Vienna, 18 May 2022

Agenda

- Background
- Status of current work
 - Supervision
 - Disclosure
 - Regulation

Background

- The Basel Committee established the TFCR in 2019 to contribute to the Committee's mandate to strengthen the regulation, supervision and practices of banks worldwide with the purpose of enhancing financial stability.
- Initial TFCR work included a stocktake (2020) and two analytical reports (2021):
 - Climate-related risk drivers and their transmission channels; and
 - Climate-related financial risks-measurement methodologies.
- The TFCR is currently focused on the assessment, measurement and mitigation of climate-related financial risks.
- Work is undertaken using a holistic approach, spanning regulatory, supervisory and disclosure-related elements.

Work on supervision

- The Committee consulted on *Principles for the effective management and supervision of climate-related financial risks* in Nov 2021, comments due 6 Feb 2022.
- Promote a principles-based approach to improving both banks' risk management and supervisors' practices, striking a balance between:
 - Providing common baseline for internationally active banks
 - retaining sufficient flexibility
- The Committee intends to monitor implementation across member jurisdictions.

Work on disclosure

- The Basel Committee:
 - publicly welcomed the establishment of the International Sustainability Standards Board (ISSB); and
 - supports the development of a consistent approach across sectors and minimising regulatory fragmentation.
- The Committee is exploring use of Pillar 3 as a tool to promote a common disclosure baseline across internationally active banks, in coordination with other international bodies.
- Part of the Committee's holistic approach.

Work on regulation

- Starting point: explore potential gaps in the existing Basel Framework.
- No pre-commitment to propose Pillar 1 solutions.
- Based on the gap analysis, a common set of challenges were identified including:
 - forward-looking nature of risk and uncertainty;
 - issues associated with time horizon; and
 - incomplete data and methodology issues.
- The Committee will take a risk-based perspective and consider the role of regulation in its holistic approach.

Conclusion

- The TFCR's work is:
 - holistic, considering all tools available in the three pillars of the Basel Framework;
 - driven by the Basel Committee mandate; and
 - leveraging the work of international financial standard setters and public sector bodies.