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Basel Committee Issues Principles on Management and Supervision of Climate-Related Financial Risks



By **Daniel Meade**
Partner | Financial Regulation

On June 15, the Basel Committee on Banking Supervision (“BCBS”) [issued](#) its [Principles for the effective management and supervision of climate-related financial risks](#) (the “Principles”). In its release, the BCBS stated that it “aims to promote a principles-based approach to improving both banks’ risk management and supervisors’ practices related to climate-related financial risks.” The publication of the Principles follows an initial consultation document issued in [November 2021](#).

The Principles described 18 principles the BCBS suggests be implemented as soon as possible. The 18 principles relate to corporate governance, internal controls, risk assessment, and management and reporting.

The first 12 principles are aimed at banks; the remaining six principles are aimed at bank supervisors. Principle 13 offers possibly a synthesis of most of the BCBS Principles. It states: “Supervisors should determine that banks’ incorporation of material climate-related financial risks into their business strategies, corporate governance and internal control frameworks is sound and comprehensive.”

The BCBS Principles seem to be broadly in accord with principles that the [OCC](#) and [FDIC](#) put out for comment in December 2021 and March 2022, respectively. The Federal Reserve Board has not yet issued such principles, but the issuance of BCBS principles, together with possibly having a confirmed Vice Chair for Supervision [soon](#), could spur similar action from the Fed.
