

Press release

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Transparency obligations for climate risks – FINMA opens consultation

The impact of climate change can pose significant financial risks for financial institutions in the longer term. The Swiss Financial Market Supervisory Authority FINMA wishes to increase transparency with regard to such risks in the financial system and is planning amendments in its Circulars “Disclosure – banks” and “Disclosure – insurers”. FINMA is conducting a public consultation on these amendments to take place until 19 January 2021.

Banks and insurance companies are required to inform the public adequately about their risks. These also include the consequences of climate change, which could pose significant financial risks for financial institutions in the longer term.

More transparency, enhanced comparability

Financial institutions have until now displayed varying levels of transparency with regard to climate-related financial risks. In order to create more transparency, FINMA is therefore specifying the disclosure requirements pertaining to these risks for large financial market players. More comprehensive and consistent disclosure of climate-related financial risks stands not only to support an adequate analysis of such but also to promote comparability and market discipline.

Proportionate and internationally compatible approach

The objective is to achieve a proportionate and principle-based structuring of this disclosure. Institutions in categories 1 and 2, that is, systemically important banks and large insurance companies, are required to make their climate-related financial risks transparent. In content terms the regulatory approach is based on the internationally recognised recommendations of the Task Force on Climate-related Financial Disclosures (TCFD). Already today, a number of banks and insurance companies have undertaken to disclose their climate-related financial risks in accordance with the principles of the TCFD.

FINMA conducted a preliminary consultation last summer to collect suggestions for a new disclosure practice and engaged in dialogue with representatives of the banking, insurance and asset management sectors, various non-governmental organisations, academia and authorities, among others. It also consulted interested administrative bodies. During these consultations, a number of parties requested the mandatory disclosure not only of qualitative, but also quantitative information. This information is of particular relevance for investors. FINMA will incorporate this request into its consultation draft and thereby raise the issue for debate. The consultation about the amended circulars will last until 19 January 2021.