

## Press release

**Date:**  
26 June 2020

**Embargo:**  
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# FINMA addresses climate risks in the financial sector

**The Swiss Financial Market Supervisory Authority FINMA is addressing the subject of climate-related financial risks as part of its supervisory remit. It is also reviewing regulatory approaches for improved transparency regarding climate-related financial risks by major financial institutions.**

FINMA welcomes the Federal Council's initiative to examine the subject of sustainability and climate risks for the financial sector in further depth. FINMA is involved in work being carried out by the federal authorities on sustainability in the financial economy and is supporting the analysis being conducted by the working group on sustainable finance headed by the State Secretariat for International Financial Matters (SIF) with its technical expertise. FINMA has also been a member of the Network for Greening the Financial System (NGFS) since 2019. This network of international central banks and supervisors is committed to better understanding and managing the financial risks of climate change.

FINMA's role is to protect creditors, investors and insured persons as well as the proper functioning of the financial markets. As part of its remit FINMA also addresses risks caused by climate change for prudentially supervised institutions and their customers. On the one hand, climate change entails physical risks for market participants, particularly for insurance companies, for example in the form of rising natural catastrophes and their associated costs. On the other hand, financial institutions can be indirectly affected by so-called transition risks as a result of action taken on climate policy. For example, illiquid assets in affected industrial sectors can be exposed to increased valuation risks in the balance sheets of financial institutions.

- FINMA checks that the financial institutions are managing these risks appropriately. By law financial institutions are obliged to identify, assess and adequately deal with significant climate-related financial risks and, where necessary, to develop their instruments and processes to this end. Together with the SNB and academics, FINMA is currently analysing the transition risks for the two major banks as part of a pilot project.

- From a consumer protection perspective, FINMA is also addressing the risks of greenwashing in the provision of financial services and the distribution of financial products. Consumers may not be deceived by exaggerated or misleading claims about “green” properties, for example in the case of investment products.
- At the regulatory level FINMA is reviewing approaches for improved disclosure of financial climate risks by major financial institutions, in order to improve transparency and market discipline.

FINMA Chief Executive Officer Mark Branson stresses: “The financial risks associated with climate change could be considerable for the Swiss financial institutions. Accordingly, they must give them due consideration in their risk processes. Disclosure obligations can encourage institutions to address these risks.”

[Dossier on green finance](#)