

## Press release

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**Contact:**  
Vinzenc Mathys, Spokesperson  
Tel. +41 (0)31 327 19 77  
[vinzenc.mathys@finma.ch](mailto:vinzenc.mathys@finma.ch)

# FINMA specifies transparency obligations for climate risks

**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. FINMA is requiring large banks and insurance companies to provide qualitative and quantitative information in this area and is amending its circulars on disclosure.**

Transparency by supervised entities about their climate-related financial risks is a first important step towards identifying, measuring and managing these risks (see also [Risk Monitor 2019](#)). Accordingly, FINMA is clarifying its supervisory practice in the area of disclosure of climate-related financial risks. In doing so it is fulfilling its strategic goal of contributing to the sustainable development of the Swiss financial centre. Besides the consideration of climate risks in supervisory activities and preventing the public from being misled about a product's sustainable characteristics (greenwashing), promoting transparency is FINMA's major focus in this realm.

### **Qualitative and quantitative information**

Following an intensive dialogue with various interested parties and a public consultation, FINMA is amending its “Disclosure – banks” and “Disclosure – insurers” circulars. In future, the affected institutes should describe the major climate-related financial risks and their impact on the business strategy, business model and financial planning (strategy). In addition, they must disclose the process for identifying, assessing and managing climate-related financial risks (risk management) as well as quantitative information (including a description of the applied methodology) on their climate-related financial risks. Finally, the institutes must describe the central attributes of their governance structure in relation to climate-related financial risks.

### **Proportional, principles-based and internationally compatible**

The revised circulars will enter into force on 1 July 2021. Initially only the large banks and insurance companies (supervisory categories 1 and 2) will fall under the scope of the disclosure obligations for climate-related financial risks. The disclosure obligations are designed to be principles-based, giving the

institutions flexibility when implementing them. FINMA has based its disclosure rules on the recommendations of the Task Force on Climate-related Financial Disclosures (TCFD), an internationally recognised reference framework, and is thus introducing internationally compatible disclosure requirements.

### **Wide interest in climate risks and further demands**

In summer 2020, FINMA conducted an intensive dialogue with industry representatives, academics, NGOs and the federal authorities on transparency rules in relation to climate risks. Based on this, a considerable number of points were already able to be included in the consultation draft. Banks, insurance companies, industry associations, environmental and consumer protection organisations and political parties took part in the public consultation between 10 November 2020 and 19 January 2021 ([press release](#)).

All participants in the consultation fundamentally welcomed the clarification of disclosure obligations and deemed it appropriate to base these on the TCFD reference framework. A number of voices demanded further measures from FINMA, such as for the scope of application to be extended to include medium-sized and small institutions, more detailed rules for scenario analyses or the specification of key figures for quantitative disclosure. As promised in the consultation, FINMA will review as part of an ex-post evaluation whether and to what extent future amendments to its practice on the disclosure of climate risks are appropriate and in doing so will take these points into consideration. Further demands from participants in the consultation, such as establishing transparency in relation to climate impact, are outside FINMA's financial market-related mandate and were therefore not able to be considered.