

# Circular on nature-related financial risks

## Key Points

1 February 2024

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1. FINMA will define and set out details of its supervisory practice for the management of nature-related financial risks in a new FINMA circular. Due to the clear trend towards an integrated approach that encompasses both climate-related and other nature-related financial risks, the material scope of the circular covers nature-related financial risks.
2. The aim of the circular is to improve the risk management of nature-related financial risks by supervised institutions and to strengthen their resilience to these risk drivers. This will help ensure the proper functioning of the financial markets and protect participants. FINMA is also contributing to the future sustainability of the Swiss financial centre.
3. The requirements are based on the *Principles for the effective management and supervision of climate-related financial risks* published by the Basel Committee on Banking Supervision<sup>1</sup> (BCBS) and the *Application Paper on the Supervision of Climate-related Risks in the Insurance Sector*<sup>2</sup> published by the International Association of Insurance Supervisors (IAIS). The IAIS announced in March 2023<sup>3</sup> that the contents of these BCBS and IAIS documents are congruent and consistent, with only a few variations due to sector-specific characteristics. The requirements are also based on other relevant international recommendations, in particular the conceptual framework on nature-related financial risks published by the Network of Central Banks and Supervisors for Greening the Financial System (NGFS).<sup>4</sup>
4. The requirements are principle-based, proportional and technology-neutral. The requirements of the circular focus on the areas of governance and risk management.
5. The circular is addressed to banks and insurance companies. For reasons of proportionality, institutions participating in the small banks regime and the small insurers regime are excluded from the circular. Securities firms are also excluded from the circular.
6. Asset managers, i.e. managers of collective assets, fund management companies, SICAVs and other FinIA and CISA institutions (with the exception of custodian banks) do not currently fall within the scope of this circular. Nevertheless, asset managers are also exposed to certain

<sup>1</sup> <https://www.bis.org/bcbs/publ/d532.pdf>

<sup>2</sup> <https://www.iaisweb.org/uploads/2022/01/210525-Application-Paper-on-the-Supervision-of-Climate-related-Risks-in-the-Insurance-Sector.pdf>

<sup>3</sup> <https://www.iaisweb.org/2023/03/public-consultation-on-climate-risk-supervisory-guidance-part-one/>

<sup>4</sup> [Nature-related Financial Risks: a Conceptual Framework to guide Action by Central Banks and Supervisors | Banque de France \(ngfs.net\)](https://www.ngfs.net/en/nature-related-financial-risks-a-conceptual-framework-to-guide-action-by-central-banks-and-supervisors)

nature-related financial risks, in particular business, legal and reputational risks, and must anticipate increasing risks and requirements.

7. The new circular on nature-related financial risks is due to enter into force on 1 January 2025. It provides for transitional periods: Shorter transitional periods apply for institutions in categories 1 and 2 than for institutions in categories 3 to 5.