

Basel Committee finalises principles on climate-related financial risks, progresses work on specifying cryptoassets' prudential treatment and agrees on way forward for the G-SIB assessment methodology review



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- Basel Committee finalises principles for effective management and supervision of climate-related financial risks.
- Progresses work on specifying cryptoasset prudential treatment and issuing a second consultation paper.
- Finalises review of the treatment of cross-border exposures within the European Banking Union on the G-SIB methodology.

The Basel Committee met on 27 May and approved a finalised set of principles for the effective management and supervision of climate-related financial risks. It also progressed its work on specifying a prudential treatment of cryptoassets and issuing a second consultation paper, and agreed on a way forward to reflect developments in the European banking union (EBU) on the assessment methodology for global systemically important banks (G-SIBs). In addition, the Committee is continuing to assess risks to and vulnerabilities of the global banking system, including those ensuing from the conflict in Ukraine.

Climate-related financial risks

The Committee agreed to a finalised set of principles for the effective management and supervision of climate-related financial risks. This follows the [consultation](#) by the Committee on these principles last year. The principles, which will be published in the coming weeks, seek to promote a principles-based approach to improving risk management and supervisory practices to mitigate climate-related financial risks. They are designed such that they can be adapted to a diverse range of banking systems in a proportional manner.

The publication of these principles forms part of the Committee's broader assessment of potential measures – spanning disclosure, supervisory and regulatory measures – to

address climate-related financial risks to the global banking system. The Committee will provide an update on its work across these dimensions in due course. It will continue to collaborate with other global forums on climate-related financial risk initiatives.

Cryptoassets

The Committee progressed its work towards issuing a second consultation paper on the prudential treatment of banks' cryptoasset exposures, following its initial [consultation](#) last year. Recent developments have further highlighted the importance of having a global minimum prudential framework to mitigate risks from cryptoassets. Building on the feedback received by external stakeholders, the Committee plans to publish another consultation paper over the coming month, with a view to finalising the prudential treatment around the end of this year.

G-SIB assessment methodology

The Committee has completed its targeted [review](#) of the treatment of cross-border exposures within the EBU on the methodology for G-SIBs. The Committee recognises the progress that has been made in the development of the EBU. It agreed to give recognition in the G-SIB framework to this progress through the [existing methodology](#), which allows for adjustments to be made according to supervisory judgment.

Under the agreement, a parallel set of G-SIB scores will be calculated for EBU-headquartered G-SIBs and used to adjust their bucket allocations. The parallel scores recognise 66% of the score reduction that would result from treating intra-EBU exposures as domestic exposures under the G-SIB scoring methodology. The Committee's agreement will not affect the classification of any banks as G-SIBs or the scores or bucket allocations of banks outside of the EBU.

In due course, the EU authorities will publish a more detailed description of the methodology and requirements for relevant EBU-headquartered banks to publish the cross-jurisdictional indicators needed to calculate the parallel set of scores.

Risks and vulnerabilities to the global banking system

Following the outbreak of the Ukraine conflict, the Committee held a series of meetings to discuss risks and vulnerabilities to the global banking system. Banks' direct financial exposures to Russia, Ukraine and Belarus are relatively limited and manageable. In addition, banks are focusing on their operational resilience while processing sanctions and dealing with an increase in cyber threats. However, there are in principle several potential channels by which the banking system could be affected by the ongoing conflict. These include indirect, second- and third-round, effects stemming from the conflict, such as developments in commodity markets and exposures to financial and non-financial institutions that are affected by the conflict. The risks stemming from a worsening macroeconomic outlook, rising inflation and interest rates in a number of

markets, and broad-based asset repricing also warrant close monitoring. Against this backdrop, the Committee noted the importance for banks and supervisors to continue to closely monitor, assess and mitigate these risks and vulnerabilities.