



HONG KONG MONETARY AUTHORITY
香港金融管理局

Banking Policy Department

Our Ref: B1/15C
B9/197C
B4/9C
B4/1C

22 June 2022

The Chief Executive
All Authorized Institutions

Dear Sir/Madam,

BCBS Principles for the Effective Management and Supervision of Climate-related Financial Risks

I would like to draw your attention to the *Principles for the Effective Management and Supervision of Climate-related Financial Risks* (“the Principles”) recently issued by the Basel Committee on Banking Supervision (“BCBS”) following public consultation.¹ The Principles form part of the BCBS’s holistic approach to addressing climate-related financial risks to the global banking system.

The Principles are developed to promote a principles-based approach to improving both banks’ risk management and supervisors’ practices related to climate-related financial risks, covering areas like corporate governance, internal controls, capital and liquidity adequacy, risk assessment, management and reporting, etc. They seek to achieve a balance in improving practices in managing the risks and providing a common baseline for internationally active banks and supervisors, while maintaining sufficient flexibility given the degree of heterogeneity and evolving practices in this area. As mentioned in the Principles, they are intended to be applied on a proportionate basis depending on the size, complexity and risk profile of the bank.

The HKMA supports the Principles and will assess the need for aligning the existing supervisory framework with them. In the meantime, Authorized Institutions should take into account the guidance in the Principles when strengthening their management of climate-related financial risks and implementing the Supervisory Policy Manual module GS-1 on climate risk management.

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

Should you have any questions on this matter, please contact Mr Willy Mak (2878-1219) or Ms Celine Chan (2878-1613).

Yours faithfully,

Daryl Ho
Executive Director (Banking Policy)

cc: The Chairperson, The Hong Kong Association of Banks
The Chairperson, The DTC Association
FSTB (Attn: Mr Justin To)