



HONG KONG MONETARY AUTHORITY

香港金融管理局

Banking Policy Department

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

12 January 2023

The Chief Executive
All Authorized Institutions

Dear Sir/Madam,

Frequently asked questions on climate-related financial risks

The Basel Committee on Banking Supervision (BCBS) has recently issued responses to a number of frequently asked questions (FAQs) to clarify how climate-related financial risks may be captured in the existing Basel Framework¹.

The responses to FAQs are intended to facilitate a globally consistent interpretation of existing Pillar 1 standards given the unique features of climate-related financial risks and should not be interpreted as changes to the standards. The responses are consistent with the BCBS's *Principles for the Effective Management and Supervision of Climate-related Financial Risks*². Areas covered in the FAQs include:

- (1) Calculation of risk-weighted assets (RWA) for credit risk;
- (2) Calculation of RWA for operational risk;
- (3) Calculation of RWA for market risk; and
- (4) Liquidity Coverage Ratio.

The HKMA intends to incorporate the responses to the FAQs into our supervisory framework. Authorized institutions should take note of them when considering how to incorporate climate-related financial risks in their interpretation and application of the existing Basel Framework.

¹ Please see <https://www.bis.org/bcbs/publ/d543.htm>

² Please see <https://www.bis.org/bcbs/publ/d532.htm>

Should you have any questions, please contact Mr Willy Mak (2878-1219) or Mr Roy Chan (2878-8717).

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)