

**TORONTO CENTRE'S COMMENTS ON THE FINANCIAL STABILITY BOARD'S
CONSULTATIVE REPORT FOR SUPERVISORY AND REGULATORY APPROACHES TO
CLIMATE-RELATED RISKS.**

First and foremost, this is an excellent report, and thanks for the opportunity to contribute to it.

**SUPERVISORY AND REGULATORY REPORTING AND COLLECTION OF CLIMATE-RELATED DATA
FROM FINANCIAL INSTITUTIONS**

Q1. Does the report highlight the most important climate-related data (qualitative and quantitative) for supervisors' and regulators' identification of exposures and understanding of the impacts of climate-related risks of financial institutions and across financial sectors? Please provide examples of climate-related data deemed most relevant and that should be prioritised.

The report well identifies the issue of the lack of consistent, comparable, granular and reliable climate data reported by financial institutions. However, it does not talk much about what needs to be done to address this issue.

Q2. Does the report draw attention to the appropriate areas to increase the reliability of climate-related data reported by financial institutions?

Yes, it does. However, it does not say much about how the reliability of climate-related data should be improved.

Q3. Does the report appropriately identify the elements of a common high-level definition of climate-related risks (physical, transition and liability risks)?

Yes, it does.

Q4. Do the proposed recommendations help accelerate the identification of authorities' climate-related information needs from financial institutions and work towards common regulatory reporting frameworks? Please elaborate on areas where the recommendations could be enhanced, if any.

Yes, they do. One area that could be enhanced is to discuss how global coordination and cooperation towards a common regulatory framework will actually happen. What are the current efforts? Were current structures sufficient to address this important issue? Are there any early lessons learnt?

INCORPORATING SYSTEMIC RISKS INTO SUPERVISORY AND REGULATORY APPROACHES

Q5. Does the report identify relevant system-wide aspects that should be considered as part of supervisory and regulatory approaches to incorporate systemic risks arising from climate change? Please elaborate on other aspects that should be considered, if any.

Yes, it does. It would be useful to include considerations on how supervisory authorities could integrate climate-related risks into their risk-based supervision frameworks. This should cover whatever types of climate-related risks are relevant to the objectives of the supervisory authority. It

should explain how the management of climate-related risks can be assessed as part of a supervisor's review of a financial institution's governance, senior management and internal controls, and of the adequacy of a financial institution's financial and other resources. It should also cover the types of supervisory intervention that have been or could be taken where the risks are assessed to be high and/or the governance and controls are assessed to be weak.

Q6. Does the report accurately reflect the extent to which current supervisory and regulatory tools and policies address climate-related risks?

Yes, it does.

Q7. Do the proposed recommendations on incorporating systemic risks into supervisory and regulatory approaches, including the expanded use of climate scenario analysis and stress testing for macroprudential purposes, address the appropriate areas? Please elaborate if there are any other features or tools that should be considered.

Yes, but the considerations should include the purposes and design of the tools, their likely effectiveness, and possible unintended consequences. Please see the Toronto Centre Note below (Q8) for adapted macroprudential framework propositions that elaborate on the reasoning and the proposal to adapt macroprudential frameworks to address the systemic risks posed by climate change.

EARLY CONSIDERATIONS ON OTHER MACROPRUDENTIAL TOOLS AND POLICIES

Q8. Are there other areas of work, literature or research being conducted on macroprudential tools and policies on climate-related risks that should be considered in the report?

Toronto Centre has been doing a lot of work to contribute to this area. Please consider our recent publication on adapting macroprudential frameworks to climate change risk in the report. Here is the link to the Toronto Centre Note:

<https://res.torontocentre.org/guidedocs/Adapting%20Macroprudential%20frameworks%20to%20climate%20change%20risks-FINAL.pdf>

ADDITIONAL CONSIDERATIONS

9. Are there any other issues that should be considered in future work of the FSB on supervisory and regulatory approaches to climate-related risks?

The report doesn't discuss EMDEs' challenges in this area. A stocktaking exercise to assess the early lessons learnt from advanced economies' experiences and identify the needs for supervisors in the EMDEs with recommendations to address those challenges would be useful.

Sincerely,



Babak Abbaszadeh,

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