Addressing Climate Risks in Prudential Regulation and Supervision  
May 27, 2021

The Middle East Regional Technical Assistance Center and the Monetary and Capital Markets Department of the IMF will host a two-hour virtual webinar for METAC members, with the participation of speakers from the Basel Committee on Banking Supervision’s (BCBS) Task Force on Climate-Related Financial Risks, Bank Negara Malaysia, and the Central Bank of Brazil.

A. OBJECTIVE AND BACKGROUND

The webinar has several objectives: (i) build awareness and supervisory capacity, (ii) encourage knowledge sharing and best practices, (iii) contribute to the development of climate risk management, supervision, and regulation in the financial sector, and (iv) support the transition to a sustainable economy.

The challenges from climate change and environmental degradation are sources of financial risks, whose management is at the core of the mandate of financial supervision authorities. To help supervisors to accelerate their knowledge and efforts in this area, the Network for Greening the Financial System (NGFS) issued a guide with five recommendations:

1. Determine how climate and environmental risks are transmitted to the financial sector and the wider economy, and assess their importance for the supervised entities.
2. Develop a clear strategy, establish an internal organization, and allocate adequate resources to address climate and environmental risks.
3. Identify the exposures of supervised entities that are vulnerable to climate and environmental risks and assess the potential losses should these risks materialize.
4. Set supervisory expectations to create transparency for financial institutions in relation to supervisors’ understanding of a prudent approach to climate and environmental risks.
5. Ensure adequate management of climate-related and environmental risks by financial institutions and take mitigating actions where appropriate.

The webinar is an opportunity for participants to discuss how different jurisdictions are approaching these recommendations and enhancing their prudential framework by incorporating climate risks in the regulation and supervision of the financial sector.

B. AGENDA

15:00 – 15:15 Welcome and opening remarks
15:15 – 15:35 Regulation and supervision of climate risks: a BCBS’s perspective; Mr. Kevin Stiroh, Senior Advisor and Chair of the Federal Reserve’s Supervision Climate Committee, USA
15:35 – 16:05 Country approaches and experiences in supervising climate risk; Ms. Jessica Chew, Deputy Governor, Negara Bank Malaysia; and Mr. David Valente, Senior Advisor, Central Bank of Brazil
16:05 – 16:40 Open discussion
16:40 – 16:45 Closing remarks
GUEST SPEAKERS

Mr. **Kevin Stiroh** is a Senior Advisor in the Division of Supervision and Regulation at the Board of Governors of the Federal Reserve System. In this capacity, he is the Chair of the Federal Reserve’s Supervision Climate Committee, a multi-disciplinary committee designed to develop a supervisory approach to increase the resilience of supervised institutions to climate-related financial risks. He is also the Co-Chair of the Basel Committee’s Task Force on Climate-Related Financial Risks. Mr. Stiroh joined the Federal Reserve Bank of New York in March 1999 as an economist in the Research and Statistics Group and held a range of positions in the Research and Statistics, Supervision, Markets, and Integrated Policy Analysis groups. Most recently, Mr. Stiroh was Executive Vice President and head of the Supervision Group. Mr. Stiroh’s academic research includes work on productivity and the sources of economic growth, the economic impact of information technology, and the efficiency and behavior of financial institutions. This research has been published in the American Economic Review, Brookings Papers on Economic Activity, Journal of Banking and Finance, Journal of Economic Perspectives, Journal of Money, Credit and Banking, Review of Economics and Statistics and other academic and business publications. Mr. Stiroh holds a bachelor’s degree from Swarthmore College in Economics and Psychology and an M.A. and Ph.D. from Harvard University in Economics.

Ms. **Jessica Chew** is currently a Deputy Governor at Bank Negara Malaysia. She has over 28 years of experience in financial sector supervision and regulation with the Bank. She is currently responsible for financial stability which covers the regulation and supervision of banks, insurance companies, payment systems and money services. Jessica represents the Bank as an adviser member of the Malaysian Accounting Standards Board. Jessica holds a Chartered Banker qualification from the Chartered Banker Institute (Scotland), is a Fellow Chartered Banker of Asian Institute of Chartered Bankers (AICB) and is an associate member of CPA Australia. She graduated from the University of Melbourne, Australia with a Bachelor of Commerce Degree majoring in accounting and finance.

Mr. **David Valente** is Senior Advisor at the Central Bank of Brazil. David Valente currently leads the team responsible for improvements on prudential regulation related to social risk, environmental risk and climate-related risk, comprising risk management, information disclosures and responsibility policies of financial institutions. At the Department of Prudential and FX Regulation, Mr. Valente has been involved in the implementation of the Basel Committee recommendations concerning capital structure and capital requirements of banks, specifically focusing on capital definition, standardized approach for capital requirement on credit risk and advanced approaches for capital requirement on credit risk. Mr. Valente has a bachelor’s degree in economics from Universidade de Brasília. Mr. Valente joined the Central Bank of Brazil in 1992, initially at the Banking Operations Department and from 2002 on at the Financial System Regulation Department, where he currently holds the position of advisor to the head of the department.