EUROPEAN CENTRAL BANK

BANKING SUPERVISION

Template for comments

Guide on the management and disclosure of climate-related and environmental risks

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General comments

Template for comments

Guide on the management and disclosure of climate-related and environmental risks

Please enter all your feedback in this list.
When entering feedback, please make sure that:
- **each comment deals with a single issue only;**
- **you indicate the relevant article/chapter/paragraph, where appropriate;**
- **you indicate whether your comment is a proposed amendment, clarification or deletion.**

Deadline:	31 May 2020

ID	Chapter	Paragraph	Expectation or box number	Page	Type of comment	Detailed comment	Concise statement as to why your comment should be taken on board	Name of commenter	Personal data
1	Introduction			3	Amendment	We appreciate that the Guide does not impose mandatory standards but (broader) supervisory expectations. However, it should be clarified further to what degree and level of detail those expectations are binding and if so, to what degree they should be applied by different banks. In fact, the approaches to climate- and other environmental risk may differ considerably between banks due to differing size, business model and geographical situation. Banks should therefore have sufficient room to develop methods and procedure for the assessment and management of climate risk according to their needs. The ECB expectations should provide a general orientation in this respect. In fact, regarding most of those expectations there are no generally accepted approaches, procedures, standards or data formats. We therefore appreciate that the EBA will present in due course a discussion paper on the assessment and management of ESG-risk. We believe it should be further clarified that the guide is not to be seen as imposing binding standards, but as an orientation for the supervisory dialogue. The ECB should oversee the different approaches and aim for standardization where needed. Too diverse approaches should be avoided. If, for example each institution would individually collect information about ESG-risks on the basis of one given standard and use this information to fulfill the expectations laid out in the Guide, this would lead to severe inconsistencies in practice, when other banks apply other standards. As regards its expectations, the ECB should consider that a higher amount of development work than usual will be imposed on banks, as solutions may not be available on the market. Especially for smaller SIs the challenge might be considerable.		Mancino, Marco	Publish

2	Chapter 2	2.2		6-7	Amendment	The SSM consultation paper lays out the expectation that the draft guide should become applicable as of the date of publication of the final version. Hence, significant institutions (SIs) are expected to promptly start adapting their practices. Given a finalization expected before the end of this year, as from end-2020, SIs should inform the ECB of any divergences of their practices from the supervisory expectations described in the guide. We believe that the proposed timeline is far too short for a number of reasons and should rather be postponed, or at least a much more phased approach should be envisaged. In particular, we would welcome clarification on the applicability and implementation timelines of the guide in various respects: i) Date of application: when institutions need to be compliant with all the recommendations. ii) the guide refers to existing regulations (meaning that these will be the legal basis used by supervisors). However, we are still waiting the EBA to fulfil its mandate under CRR2. Both regulators and banks should benefit from appropriate time to integrate such requirements.	- There is a considerable data gap as regards ESG-risks in the European Union. This is the reason, why EU institutions are currently building on a number of regulatory initiatives, from the Taxonomy Regulation to the revision of the Non-Financial Reporting Directive (expected to be launched next year). For the time being, only a minority of companies are able to provide ESG-relevant information. For SMEs, the generation of such information will be a serious challenge - Moreover, collecting data on ESG-risks through ESG ratings of rating agencies (or other vendors) is not yet a viable alternative, since the methodology and evaluation approach of the agencies differ strongly. An additional problem lays in the fact that most of these data vendors are concentrated among US providers, which creates an issue of EU sovereignty over the ESG data of EU companies - Thirdly, the management and disclosure of ESG-risks are still in a development phase. There are no generally accepted approaches. The same holds true for the methodologies and tools to address these risks. - When this guide will be finalized the EBA will have published a first discussion paper for consultation on how ESG risk should be implemented under Art. 98 (8) CRD V. In June next year an EBA report and legislative propoals may see the day, based on additonal research and more knowledge on the notion and the management of ESG risk. This should be properly reflected in the implementation timeline. - Indeed, bearing this in mind it should also be ensured that the ECB Guide will at least not be applied with the strict timeline (end of 2020) to relevant events and processes which originated before the publication of the Draft ECB Guide. For example, if an institution updated its business strategy in February 2020 for e.g. a two year cycle it should not be obliged to revise its strategy and integrate ESG risks according to Expectation 2 by the end of 2020. - This is of particular importance for SREP. It should be ensured that the ECB Guide becomes relevant for SREP 2021 at the earliest which should be clarified in point 2.2 "Date of application". Against this background, the implementation of a central data register at EU level, which would provide institutions with standardized data on ESG-risks, would be a major step for a correct and consistent application of the guide. Standardized data on ESG-risks at a central point would ensure a consistent application of the guide and avoid the abovementioned data gap. Furthermore, when determining the date of application, it has to be considered that methodologies and tools to address ESG-risks are still in a development phase and may require further refinement. We suggest a postponement of the envisaged date of application to a later stage or at least a much more phased approach. The application date should take into account that methodologies and tools to address ESG-risks are still being developed and should be dependent on the implementation of a centralized data register at EU level.	Mancino, Marco	Publish
3	Chapter 2	2.2		6-7	Amendment	We also believe that the time frame underlying many aspects of the Guide is to be reassessed, especially considering that transition risks may be fully quantified only in steadier state scenarios. Moreover, as physical risks will increasingly be function of the temperature and the transition path stress test exercises remain difficult to build within the specified timeframes. We note that on page 12 of the Guide it is indicated that: "climate-related risk for euro area institutions is expected to primarily materialize in the medium to long term". However, the Guide also considers that it can arise suddenly, e.g. "should the pace of the transition accelerate". Expectation 1.2 clarifies that short to medium term risks include reputational effects and policy driven developments. We ask for more clarification on the time frame over which risks materialize. This double dimension in fact requires clearer indications in the way ECB foresees the practical working of a number of expectations: - ECB expectations on liquidity risk management (see related comment); - Expectation 2.1 requiring a short-to-medium term assessment, expected to include an analysis of the climate-related and environmental risks to which the institution is exposed within its current business planning (3 to 5 years); - Expectation 4 requiring that the RAF integrates climate- related and environmental risks in line with the strategic planning horizon; - Expectation 6.4 stating "the issue of timeliness is critical to these risks owing to, for example, the impacts of a sudden transition to a low carbon economy"; - Expectation 7 / box 6 taking examples of financial impacts related to climate-related risk drivers. The depreciation of assets of carbon-intensive companies in the investment portfolio is projected to happen in 1 to 3 years, the increased costs for customers to address damages or losses caused by climatic incidents affecting their ability to pay is also said to materialize in 1 to 3 years. However this seems not to take into account remedial actions in said industries.		Mancino, Marco	Publish

4	Chapter 2	2.4		7	Clarification	We would welcome clarification from the ECB on how a proportionate application of the SSM guide looks like and especially what simplifications can be applied to LSIs when integrating ESG-risks into business models and strategy (expectations 1 - 2), considering ESG-risks in the governance and risk appetite framework (expectations 3 - 6), incorporating ESG-risks in the risk management framework (expectations 7 - 12) and disclosing information about ESG-risks (expectation 13). Concrete examples of how simplified approaches would be decline would greatly help in implementing the guide to LSIs, particularly the less sophisticated ones. The ECB should also reassess whether there is really a compelling necessity for an application “in substance” to LSIs. Moreover, the Guide should also address proportionality at transaction level.	According to the draft guide national competent authorities (NCAs) are recommended to apply, “in substance”, the expectations set out in the guide in their supervision of LSIs, “proportionately to the risk profile and business model of the institution”. While we welcome the explicit reference to the principle of proportionality, it remains unclear, how such a proportionate application of the SSM guide would look like and what has to be expected in this regard. Moreover, we fear that this vague proportionality rule, if applied to the guide's rather broad expectations, which were designed quite clearly having as reference significant institutions, could result in a rather diverging implementation by NCAS and accordingly in rather differing rules for LSIs.	Mancino, Marco	Publish
5	Chapter 3			10-11	Amendment	It is common understanding the climate-related and environmental risk can have a significant impact on the real economy and the financial system. Therefore, it is urgent to include these risks into risk management and risk assessment processes. As the guide mentions, climate-related and environmental risk will feed into the existing risk categories in risk management, i.e. credit risk, market risk, operational risk or other risk. They are in fact risk-drivers to be considered in the assessment of the aforementioned risk categories. This being said, we would like to point out the following: For risk management purposes the identification of material risk is paramount, including different kinds of risk concentrations on institution level in the context of an overall risk inventory, including intra-risk and inter-risk concentrations. We believe that the aspect of materiality of (climate-) risk and related risk drivers in the context of the overall risk assessment should be better framed in the current guide. The identification of the materiality of climate risks in the context of the overall risk assessment and the scaling of requirements (e.g. the steering of risks) is essential, e.g. when it comes to risk appetite, organization, reporting and certain tools of risk management. The Guide relating to ICAAP and ILAAP already define general standards for the (entire) risk management. At the same time climate- and environmental risk should not stand out, but be integrated in the overall context, especially as climate risks will not play as a separate risk element (i.e. alongside credit, market, operational etc.) but rather be a driver on the overall risk map affecting the existing categories. The term "risk driver" should be used consistently throughout the Guide. In this vein, the separate assessment of the materiality of risk drivers instead of categories of risk is not a standard practice.. As climate and environmental risk has not been on the screen in banks' risk management in the past, those risk drivers certainly deserve increased attention by banks within the overall risk framework.		Mancino, Marco	Publish

6	Chapter 3			10-11	Amendment	Furthermore, the guide should clarify that a certain “climate-rating”, according to the EU taxonomy or other standards, would not in itself influence the above-mentioned banking risks. The fact that an economic activity of a borrower is harmful or not from an environmental/climate perspective is certainly of relevance, but does not affect banking risk in itself. Accompanying factors, like e.g. a penalizing or favoring fiscal framework, have to come on top to establish materiality for credit risk, market risk, operational risk or other risk categories. Thus, the financing of “brown” economic activities must not lead per se to higher risk weights. It is the decision of the legislator how certain economic activities, which are harmful for the climate or environment should be treated and what the legal and fiscal framework for such activities should look like. Banking supervisory practices will then reflect parameters set by the legislator. We see that the right approach is for instance expressed in Expectation 7.3 where the ECB indicates that institutions should take a “strategic approach to managing and/or mitigating climate-related and environmental risks in line with their business strategy and risk appetite, and to adapt policies, procedures, risk limits and risk controls accordingly.” Also, reflection in the Risk Appetite Framework and in general under the business model element of the SREP seems the most conducive way to the development and refinement of tools and procedures, especially in an initial phase where banks' efforts may focus on qualitative aspects.		Mancino, Marco	Publish
7	Chapter 3			10-11	Amendment	Information about physical and transition risks constitutes the basis for the application of the SSM Guide and the fulfillment of the ECB's expectations. As mentioned before, if each institution would be left to bear alone the burden to collect information about physical and transition risks, and then have to apply the SSM Guide based on this, the management of climate-related and environmental risks might become very heterogeneous across the SSM. Available, reliable, and standardized environmental and social data (E&S) data and non-E&S data on clients are a pre-requisite for the development of quantification methodologies. Also, with regard to modelling and scenario developing, the lack of (historical) data contributes to the challenges to test the resilience of the business model or to judge the possible impact of climate-related and environmental risks and the time horizon over which these effects are expected. The ECB should provide examples and more detailed guidance on scenario developing, quantifying assumptions and analysis methodology. It would be helpful if the data availability would be improved by policy makers providing more data to financial institutions. Against this background and in order to ensure a homogenous management of climate-related and environmental risks in the SSM, we suggest the establishment of certain heat-maps in relation to climate- and environmental risks at European level. This could include the development of at least one weather heat-map for Europe. European weather institutes could play an important role when developing such a tools at European level. This would enable credit institutions to understand – based on unified scientific data – which areas and regions are prone to which kind of physical risks and if those risks can be classified as “acute” or “chronic”. This would be the “base case” weather heat map, based upon which alternative weather heat maps (which would reflect alternative scenarios of climate development) could be created. Aside from avoiding inconsistencies, this would heavily relieve banks from the process of collecting and verifying information on physical risks. Moreover, it would facilitate climate related stress tests. We also note that, next to heat maps, there are other sets of climate and environmental data already collected by European and national institutions such as governments, central banks, statistical bodies (e.g. National Energy and Climate Plans). This data would be critical to feed banks' understanding of the economic performance of sustainable activities. It would be key for the EU to connect and open up its databases and make the data re-usable. The draft guide does not sufficiently differentiate between the “impact perspective” and the risk perspective. The management of climate-related and environmental risk has to focus on the impact of physical and transition risk on the capital and liquidity position of banks. Even if in a given case the climate-related or environmental impact of the activities of a customer may be considerable, this would not automatically imply that the capital or liquidity position of the bank is affected to the same degree.		Mancino, Marco	Publish
8	Chapter 2				Clarification	The ECB should specify in a clearer manner that, as explicitly mentioned during the industry webinar and the hearing, the Guide would not be anticipating in any way additional capital measures across the board, but remain – as much as possible – capital neutral.		Mancino, Marco	Publish

9	Chapter 3			10	Clarification	Environmental versus climate risks : The Guide aims to cover both environmental and climate risks. At an overarching level, we see that to establish an all-inclusive and mutually exclusive risk framework, a clear definition and positioning of climate risk, in relation to other environmental risks, is essential to avoid misunderstanding and possible double-counting of risk. Moreover, the assessment of the environmental risks is at rather early stage compared to climate risks. As an illustration, the ongoing ACPR exploratory stress test is dedicated to climate risks only. Also regulatory work for the time being will focus on 2 6 environmental objectives, climate change mitigation and climate change adaptation, with the dedicated the technical standards. This is partly due to the lack of data and scientific consensus on methodologies to assess biodiversity risks. This is also linked to the practical fact that these issues are so complex that banks and supervisors have to build knowledge on an incremental approach, starting by climate risks as this is the most advanced subject, before tackling environmental risks at a later stage. We therefore suggest this incremental approach is reflected in the Guide in a more precise way. It should be clearly indicated that expectations should be reached first on climate risks and then on other environmental risks, thus reflecting the ongoing normative work in the EU.		Mancino, Marco	Publish
10	Chapter 4	4.2	2.1	17	Amendment	Again, it should be pointed out that the EBA will not have assessed the development of appropriate qualitative and quantitative criteria for the assessment of the impact of ESG risks on the financial stability of institutions in the short, medium and long term including stress testing processes and scenario analyses until next year (Art. 98 (8) CRD V). Moreover, the envisaged long-term time horizon of “>5 years, beyond the typical business planning horizon”, is linked with great uncertainties as this does not correspond with the usual planning horizon.	An extension of the time horizon in the normative perspective might not provide representative results due to the high uncertainties, especially with adverse scenarios, static balance sheet, the current regulatory uncertainty and lack of data availability. It should be ensured that such a long-term and uncertain scenario analysis for climate and environmental risks initially only serves as a source of information and cannot be treated as established strategic indicators with limits, triggers and escalation processes. Regarding point 6.5 “Scenario analysis and stress testing” in particular we advocate for referencing specific anchor scenarios with regard to climate and environmental risks. The reference to IPCC or IEA scenarios is not useful and should be removed and replaced with a reference to the NGFS scenarios in our opinion.	Mancino, Marco	Publish
11	Chapter 5	5.1	3	19	Amendment	Management body role: Footnote 29 clarifies refers to the EBA GL on internal governance and clarifies the notion of “management body, in its management function”, and “management body in its supervisory function”. Expectation 3.3 is clear about the respective roles of the management bodies and their functions. However, expectations 3.1 and 3.2 do not specify what is expected from the executive versus non-executive functions. We would therefore suggest that the Guide clarifies this point further.	We agree that the management body (both in an executive and in a supervisory function) should have an adequate knowledge and understanding of climate-related and environmental risks. However, in line with the concept of collective knowledge, especially for the board members in a supervisory function, it should be differentiated between adequate individual and adequate collective knowledge. Furthermore, the tasks of the compliance function in this context should not be overstretched.	Mancino, Marco	Publish

12	Chapter 5	5.2	4.3	23	Amendment	The supervisory expectations laid out in section 5.2, in particular the proposed further regulation of remuneration policies and practices in institutions according to expectation 4.3, require the integration of climate and environmental risk into European remuneration rules standards. The guide does however not stipulate a specific implementation concept. The EBA Guidelines on Sound Remuneration Practices already stipulate by now that “remuneration requirements aim to ensure that remuneration policies are consistent with and promote sound and effective risk management, do not provide incentives for excessive risk taking and are aligned with the long-term interests of the institutions across the EU.” We believe that with the ongoing integration of climate and environmental risks into risk appetite, strategy and risk management there will be an “implicit” integration of those risks also into banks’ remuneration policies. Nevertheless, climate-related and environmental criteria are predominantly of a medium-term and long-term nature, which very much may limit their effects for in variable remuneration systems. The guide should therefore not require to develop qualitative or quantitative criteria to specifically translate climate-related and environmental risks into variable remuneration schemes. We would like to remind that standards like the TCFD Recommendation suggest companies to set specific climate goals, which may not necessarily be based on risk-aspects alone. The Guide should explicitly allow that such practices can be reflected in remuneration policies. At a general level, in the past years the stricter and more complex specification of rules on remuneration contributed to a particularly burdensome framework which affects disproportionately especially LSIs. We therefore see an urgent need that institutions, and especially LSIs, should not be overburdened with strict remuneration rules related to climate risk. In fact, in some instances, due to the complexity of questions and the shortage of skilled workers, several institutions do not have the opportunity to employ personnel with the requisite qualifications in order to implement the supervisory expectations. In any case, even if qualified employees were (and are) at the disposal of the institution, this would mean that relatively rare and expensive employees are tied up implementing regulatory requirements for very few collaborators (variable remuneration). Since there is no comparable remuneration regulation in other industry sectors, financial institutions are at a significant disadvantage on the labour market when it comes to meeting applicants’ remuneration demands or to retaining employees by variable remuneration. This results in adverse effects on the competition of industry sectors for highly qualified specialists.	n overrepresentation of ESG targets should be avoided as it could have a destabilizing effect. Taking into account the current already very complex legal framework on remuneration, adding an additional expectation for banks to consider implementing a variable remuneration component linked to the successful achievement of the climate-related and environmental objectives sounds burdensome and may result in practical difficulties on the side of banks to make those payments. CRD IV, the EBA GL on sound remuneration policies as such mentioned and cross-referred by the ECB Guide takes a very holistic approach regarding remuneration and in our view stimulates sustainability oriented behaviors in banks. The current framework ensures that sustainability targets will be reflected in the banks’ objectives and business strategy. Those aspects would have to be considered as company values in variable remuneration while this in turn will encourage behaviours consistent with the ESG aligned approach of banks’ staff and management. However, conditioning implementing a variable remuneration to the successful achievement of the ESG objectives may be impossible in practice, in particular taking into account that such objectives are typically long-term oriented and as such whether they are successfully achieved can be only verified by climate and environment experts.	Mancino, Marco	Publish
13	Chapter 5	5.3	5 / box 5	25	Clarification	Horizontal points of contact We believe that the ECB should better clarify what is meant by the horizontal contact points mentioned in expectation #5, in box 5.		Mancino, Marco	Publish
14	Chapter 5	5.3	6.4	27	Clarification	Being “adaptable in order to generate aggregated climate-related and environmental risk data to meet a broad range of on-demand and ad hoc reporting requests” will clearly be a very demanding objective to reach. It will be very challenging to forecast all possible issues at start and collect all data corresponding to all these possible scenarios. For instance, nobody could have forecasted the coronavirus and its impacts and collected all relevant data before the crisis started. The cost would be too high and with a high probability to miss the scenario that eventually materialises. The expectations towards banks should therefore be clarified in terms of data collection and database building. This would be very useful to devise the plan to overcome the data gaps which is required in expectation #6.		Mancino, Marco	Publish
15	Chapter 6	6.1	7.4	30	Clarification	With regard to a climate related and environmental due diligence at the level of individual borrowers, further clarification would be needed as to what this assessment would include, at inception of a transaction and on an ongoing basis, and what role ECB sees in the loan granting process. Moreover, there is a lack of proportionality in the proposed formulation of the Guide: this requirement should rather depend on the nature and scope of the business relationship and the materiality of risks. It would not be appropriate to conduct a detailed due diligence of every client relationship; in view of the very considerable effort and expense associated with such an audit. This expectation should be presented in a more nuanced way. This should not only take a risk factor into account (depending on the sector and geographical location of the customer) but also be linked in general to materiality, e.g. the extent of the commitment.		Mancino, Marco	Publish

16	Chapter 6		7-8 and boxes 7-8	28, 32	Amendment	Backtesting (expectations #7 and 8 – box 7 and 8): Pillar 2 models developed for climate and environmental risks will have to follow the general principles of Pillar 2 models as described in the ICAAP ECB guide. Principle 6 from the latter (in particular the section on independent validation) requires Pillar 2 models to be built using the same level of conservatism as Pillar 1 models. This requirement means that it will be practically impossible in the short term to integrate climate risks within Pillar 2 models because of backtesting issues. Indeed, as long as “green” and “brown” assets show no significantly different credit default patterns from one another, including “green” or “brown” factors in the credit ratings will not be possible if usual backtesting processes are to be respected. The ECB should be clearer in the expectation to assess the impact of climate and environmental risks on capital adequacy, where expected changes are to take place in the Pillar 1, Pillar 2, and Pillar 3. The ECB needs to be aware that any amendments to ICAAP requirements shall then be consistent with the EBA CRR2 mandate to include in ESG factors in SREP and reflect on the prudential treatment of sustainable finance assets, since this inclusion would have significant implications for the regulatory ratios such as Pillar 2 capital requirements, and potentially on liquidity ratios. We do not see, in particular, how the analytical risk-weight penalties imposed to brown assets which is described in box 7, nor the shadow probabilities of default described in box 8, can pass the backtesting procedures at this stage. Therefore, the ICAAP guide should be modified to specify that for emergent risks, such as climate risks, lighter backtesting requirements are necessary.		Mancino, Marco	Publish
17	Chapter 6	6.2	8.5	33	Amendment	We disagree that banks should adapt their pricing depending on the climate and environmental performances of their clients. As long as these performances (negative / positive externalities) do not affect clients' credit risk profile (see our comments above), banks should not be required to adapt their pricing to take such particular risk into account. As a matter of fact, if EU banks were the only players forced to adjust their pricing, shadow banking entities, banks outside the EU, financial markets and self-funding would channel funds to these customers. This would on one side impair the level playing field and on the other build up new risks to financial stability outside of the supervisory remit. Moreover, climate issues are less a question of pricing than a question of exclusion from the portfolio. When analyzing a client request, if banks consider the climate and environmental risks to be too high, the loan will simply not be granted; in fact, also to stick to the risk management framework and risk appetite, it is unlikely that a very risky loan would be granted simply on the basis of an increased pricing. We would therefore suggest to include a possibility to adapt the pricing as a consequence of the strategy, not an obligation: banks “could” adapt their pricing, instead of “should”.		Mancino, Marco	Publish

18	Chapter 6	6.5	11	37-38	Amendment	We suggest to adjust the draft Guide, under expectation 11, in the following way in order to create consistency (page. 38): "Institutions are expected to consider adopting a longer time horizon for climate-related and environmental risks, if they have a material impact, given the likelihood that they will mostly materialize in the medium to long term." If long term strategies as regards climate-related and environmental risks need to be developed by credit institutions, sufficient (and sufficiently) standardized data on the long-term realization of climate-related and environmental risks would be required.	According to the ECB Guide to the ICAAP institutions are expected to maintain a robust, up-to-date capital plan. The capital plan is to cover a forward-looking horizon of at least three years (Para. 44). It is the responsibility of each institution to choose an adequate planning horizon. However, three years is the minimum horizon a detailed capital plan is expected to capture. Institutions are also expected to take developments beyond this minimum horizon into account, if they will have a material impact. According to the draft SSM Guide on climate-related and environmental risks institutions are (generally) expected to consider adopting a longer time horizon for climate-related and environmental risks given the likelihood that they will mostly materialize in the medium to long term. This however seems inconsistent with the provisions of the ECB Guide to the ICAAP. According to the latter institutions are expected to take developments beyond the three-year planning horizon into account only under the condition that they will have a material impact. This condition still needs to be integrated in the expectations on climate-related and environmental risks. If long-term strategies on climate-related and environmental risks need to be developed, credit institutions would not only need a precise guidance on how to develop these long-term strategies by the ECB but also sufficient external data on the long-term realization probabilities of climate-related and environmental risks. As mentioned before, these data should be provided at European level in a standardized way in order to ensure that credit institutions base their long-term view on the same data.	Mancino, Marco	Publish
19	Chapter 6	6.6	12	38	Amendment	Liquidity risk is a very short- term risk, whereas climate and environmental risks are of a rather longer term nature. The disconnect between these two time horizons means it is not relevant to consider the materialization of climate risks in the definition and management of liquidity buffers for banks today. It might become relevant in a certain timeframes when these risks become less remote. However, what matters for liquidity risk is the pace at which changes occur, as liquidity portfolios can be adjusted in a few days to adapt to a new situation. Taking this into account, it is evident how transition risks may materialize at a slower pace, which means liquidity portfolios can adapt without losses to the new paradigm. Physical risks might occur much more suddenly (earthquakes, wildfires for instance), with possible impacts on the value of certain assets, and rather increase over time with rising temperatures, but would remain manageable from a liquidity perspective. We would therefore suggest removing expectation #12 as climate and environmental risks do not appear to be relevant for the liquidity risk management in the short to medium term for banks.		Mancino, Marco	Publish

20	Chapter 7		13	40	Amendment	While it is still unclear how the NCAs can decline the substance of the Guide for LSIs in a truly proportionate manner, it should at least be specified that the disclosure expectations (13) should not be applied to LSIs. CRR2 has framed in the regulatory landscape less burdensome disclosure requirements for small, non-complex institutions (SNCIs). It would thwart the intention of the co-legislators if new disclosure requirements, designed keeping in mind significant institutions, were to be applied also the SNCIs defined in CRR2. More generally, work in this regard should not be decoupled by other related workstreams that may lead to duplications and overlaps in requirements (e.g. the mandate for EBA under Art. 449a CRR2, and the upcoming revision of the NFRD). With regard to expectation 13, we also note that the EU Action Plan and accompanying regulatory initiatives have introduced or are about to introduce a large number of disclosure and transparency requirements. This will result in a rather fragmented disclosure framework for ESG (European Commission's Guidelines on non-financial reporting: Supplement on reporting climate-related information, Disclosure-Regulation and already amendments in the Taxonomy-Regulation, ECB Guide and also CRR in the future). In our opinion, the expectation to report according to the "European Commission's Guidelines on non-financial reporting: Supplement on reporting climate-related information" is obsolete as banks will have to disclose according to the CRR anyway. Therefore, we would suggest removing the reference in the ECB Guide. As a general remark, there should not be more disclosure requirements applicable to climate-related and environmental risks as there are for the other types of risks.		Mancino, Marco	Publish
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