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The View From The Ground

Andrew Davidson & Co Symposium The Impact of Climate Change on the Mortgage Ecosystem

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Translating Changes In Climate Related Variables

- Uncertainty as we await regulations and guidance
- SEC disclosures?
- BCBS found that existing risk frameworks
 - based on credit, market, liquidity, operational, and reputational risks -- can be used to assess climate-related risk, and there is no need for a new model.
 - **However**, the same report pointed out that existing analysis does not generally
 - translate changes in climate-related variables to changes in banks' credit, market, liquidity, or operational risk exposures, or to bank balance sheet losses

Financial Institutions

- Will have to perform climate stress testing and scenario analysis
 - Many will eventually have to comply with the FSB's Task Force on Climate-related Financial Disclosures (TCFD) recommendations
- Meet increasing requirements from
 - investors, legislators, regulators, community stakeholders to identify, measure, control, monitor, and disclose climate-related risks

What Do Increasing Requirements Mean For Financial Institutions?

FIs are pressured to

- invest in technology,
- hire and retain professionals who can design models, collect data, and provide model results to internal decision makers and financial regulators



Prepare Now

- Conduct gap analysis
 - Legacy systems
 - Lack of data
 - Human resources
 - Modelers, data aggregators, auditors, compliance, financial reporting, back-office personnel
- Speak to your regulator
- Communicate with your industry bodies

Highlights of Rodríguez Valladares' Articles

- [All U.S. Bank Regulators Should Require Banks To Incorporate Climate Change Risks into Their Risk Management Frameworks and Disclosures](#)
- [Banks Can Suffer Financial Losses From Physical And Transition Climate Change Risk Drivers](#)
- [Banks Should Implement Principles For Operational Resilience](#)
- [Climate Change Is A Key Priority To The G20 And Financial Stability Board](#)
- [Climate Change Risks Should Be A Priority For U.S. Bank Supervisors](#)
- [Energy Companies Comprise Over 25% of Total U.S. Corporate Defaults](#)
- [The Financial Stability Board's Climate Change Road Map Identifies Data Gaps That Need To Be Addressed](#)
- [Highly Leveraged Zombie Companies Threaten the Global Economy](#)
- [Operational Risk Ignored More Than A Bridesmaid](#)
- [Ignoring Climate Related Physical And Transition Risks Imperil Global Financial Stability](#)
- [Rising Sea Levels Pose Increasing Credit Risks for Many U.S. Coastal States and Investors in their Bonds](#)
- [Rodríguez Valladares Testified On Climate as a Systemic Risk To The Financial System](#)
- [Rodríguez Valladares Testifies On Climate Change And Financial Systemic Risk](#)

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