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## Press release

### **AFME says ECB climate stress tests provide helpful recommendations as banks continue to develop their climate risk management frameworks**

8 July 2022

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Commenting today on the publication of the [ECB's climate stress test results](#), **Caroline Liesegang, Head of Prudential Regulation and Research at the Association for Financial Markets in Europe (AFME)**, said:

*"The ECB climate stress tests have been a welcome learning exercise for banks and supervisors alike. It will be important for banks and supervisors to reflect upon the lessons learned, including refining climate stress testing capabilities and the importance of the ongoing work to enhance the availability and reliability of climate data from the companies which banks finance."*

*"Climate risk analytics and climate risk data is still in its infancy. Harmonised, region-wide scenario exercises and stress tests are therefore important tools to facilitate advancement in the field, but also to create the possibility to learn. We therefore welcome that the results of this exercise are not directly linked to capital requirements."*

*"There is still much work to do to close data gaps, refine scope and scenarios and of course, understand the mechanics of transmission channels into banks' balance sheets and portfolios. It will take more time before banks are able to quantify climate risks more reliably and to then introduce supervisory or prudential measures if needed. Banks' success in upgrading their data capabilities will also rely on corporate disclosure, which is in the pipeline through the Corporate Sustainability Reporting Directive (CSRD) and internationally through the International Sustainability Standards Board (ISSB)."*

*"Banks have an essential role to play in mitigating any risks that could arise from climate-related risks and in supporting the transition towards a green economy. While AFME is supportive of horizontal supervisory analysis, it is important to recognise – as the ECB stress test results show – that banks' balance sheets are generally representative of the real economy sectors and regions they finance and it therefore remains essential for governments to continue to define clear transition pathways for sectors of the economy as they transition to Net Zero."*

*"In order to support the development of climate risk analytics and stress tests, AFME's member banks will continue to take action to address data and analytical shortcomings, both at global and European level. Risk management frameworks have evolved in recent years in order to integrate climate risk more effectively, though the lending process is still very much reliant on qualitative, often not comparable information. Banks have started to amend their strategic business and capital planning to address potential over-reliance on greenhouse gas intense sectors. Yet there is much more to do. Our members are currently in the process of defining data collection templates, including a suitable data processing framework for corporates and SMEs, which aims at closing client information gaps in a coordinated fashion across leading EU and global banks. AFME will continue to engage and facilitate the development of the tests going forward to ensure a meaningful transition of the European banking system."*

*"AFME will be reviewing the results and exercise closely with members and will provide further analysis in the coming months."*

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**AFME Contact**

Rebecca Hansford

Head of Media Relations

[rebecca.hansford@afme.eu](mailto:rebecca.hansford@afme.eu)

+44 (0)20 3828 2693

+44 (0)7825 081 686

**About AFME:**

AFME (Association for Financial Markets in Europe) advocates for deep and integrated European capital markets which serve the needs of companies and investors, supporting economic growth and benefiting society. AFME is the voice of all Europe's wholesale financial markets, providing expertise across a broad range of regulatory and capital markets issues. AFME aims to act as a bridge between market participants and policy makers across Europe, drawing on its strong and long-standing relationships, its technical knowledge and fact-based work. Its members comprise pan-EU and global banks as well as key regional banks, brokers, law firms, investors and other financial market participants. AFME participates in a global alliance with the Securities Industry and Financial Markets Association (SIFMA) in the US, and the Asia Securities Industry and Financial Markets Association (ASIFMA) through the GFMA (Global Financial Markets Association). For more information please visit the AFME website: [www.afme.eu](http://www.afme.eu). Follow us on Twitter @AFME\_EU