

Regulatory Blog

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How can ESG be considered in the Pillar 1 framework?

In our Regulatory Blog post, we highlight the essential aspects of the FAQs regarding Credit Risk standard approach, Internal Rating Based Approach, Operational Risk, Market & Liquidity risk – and discuss how this might affect banks now and in the future.

On 8th December 2022, the Basel Committee published a set of **Frequently Asked Questions (FAQs)**, in which issues concerning climate-related financial risks and how they are captured in the Pillar 1 standards are addressed. The publication contains a number of answers to the first set of FAQs on how the impact of climate risk factors should be taken into account when applying the regulatory approaches for the measurement of credit risk, operational risk, market risk and liquidity risks as laid down in the finalised Basel III standards (“Basel IV”).

We went through the FAQ list in detail and connected the dots to the overall sustainable finance agenda within the regulatory framework for banks. In our Regulatory Blog post, we highlight the essential aspects of the FAQs regarding Credit Risk standard approach, Internal Rating Based Approach, Operational Risk, Market & Liquidity risk – and discuss how this might affect banks now and in the future. We analyse the impacts of the BCBS FAQs on the EU banks’ Pillar 1 calculations and reporting and what steps banks should take next to prepare best.

If you have any questions, please do not hesitate to contact us. Our Risk & Regulatory experts have extensive experience in the analysis of regulatory requirements and are highly integrated within PwC’s sustainable finance initiative. We can support you by performing data gap analyses or impact studies on the regulatory treatment of ESG-related risks across all risk types, also considering the latest regulatory developments as laid out by the BCBS.

We provide the full blog post in our **free PwC Plus registration area**.

Keywords

Bankenaufsicht (Europäische und Internationale Organisationen), Basel IV, ESG, Eigenmittel / Eigenkapital, Kreditrisiken, Operationelles Risiko, Regulatory Reporting, Risk-weighted asset (RWA)

Contact



Martin Neisen

Frankfurt am Main

martin.neisen@pwc.com



Christoph Himmelmann

Frankfurt am Main

christoph.himmelmann@pwc.com