Eidgenössische Finanzmarktaufsicht FINMA
Autorité fédérale de surveillance des marchés financiers FINMA
Autorità federale di vigilanza sui mercati finanziari FINMA
Swiss Financial Market Supervisory Authority FINMA

Circular 2026/1
Nature-related financial risks

Management of climate- and other nature-related financial risks

Reference:	FINMA Circ. 26/1 “Nature-related financial risks”
Date:	12 December 2024
Entry into force:	1 January 2026
Legal framework:	FINMASA Articles 7 para. 1 let. b, 29 para. 1 BA Articles 3 para. 2 let. a, 3*f* BO Article 12 paras. 2, 3, 4 ISA Articles 22 para. 1, 27, 67 para. 3, 75 para. 3 ISO Articles 96-98*a*, 191 para. 1, 195 para. 1, 196, 204

Addressees (indicative)

BA				**ISA**			**FinIA**						**FinMIA**						**CISA**						**AMLA**		**Other**	
Banks	Financial groups and congl.	Persons under Article 1*b* BA	Other intermediaries	Insurers	Insurance groups and congl.	Intermediaries	Portfolio managers	Trustees	Managers of collective assets	Fund management companies	Investment firms (proprietarian trading)	Investment firms (non propriet. trading)	Trading venues	Central counterparties	Central securities depositories	Trade repositories	Payment systems	Participants	SICAVs	Limited partnerships for CISs	SICAFs	Custodian banks	Representatives of foreign CISs	Other intermediaries	SROs	SRO-supervised institutions	Audit firms	Rating agencies
X	X			X	X																							

Laupenstrasse 27
3003 Bern
Tel. +41 (0)31 327 91 00
www.finma.ch

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I. Subject matter

With regard to climate- and other nature-related financial risks, this circular sets out the provisions for risk management and its internal documentation, as well as for the internal control system in accordance with Articles 3 para. 2 let. a and 3*f* of the Banking Act of 8 November 1934 (BA; SR *952.0*) and Article 12 paras. 2–4 of the Banking Ordinance of 30 April 2014 (BO; SR *952.02*) as well as in accordance with Articles 22 para. 1, 27, 67 para. 3, and 75 para. 3 of the Insurance Supervision Act of 17 December 2004 (ISA; SR *961.01*) and Articles 96–98a, 191 para. 1, 195 para. 1, 196 and 204 of the Insurance Supervision Ordinance of 9 November 2005 (ISO; SR *961.011*). 1

II. Scope of application and proportionality

This circular applies to: 2

- banks under Article 1*a* BA, branches of foreign banks under Article 2 let. a BA as well as financial groups and financial conglomerates under Article 3*c* BA ("banks"); 3
- insurance companies, branches of foreign insurance companies, as well as insurance groups and conglomerates under Article 2 para. 1 lets. a, b and d ISA ("insurers"). 4

Banks as defined in margin no. 3 and insurers as defined in margin no. 4 are hereinafter referred to as institutions. Section V applies only to banks as defined in margin no. 3 and section VI applies only to insurers as defined in margin no. 4. 5

Institutions that belong to a financial group or a financial conglomerate under Article 3c BA or an insurance group or an insurance conglomerate under Article 64 or 72 ISA may meet the provisions of this circular at the level of the group or conglomerate. In this case, it must be ensured that the relevant issues of the institution are taken into account at this level and that its material risks are integrated into the group-wide or conglomerate-wide risk management processes. The same applies by analogy to subsidiaries of groups that are not a financial group, financial conglomerate, insurance group or insurance conglomerate in accordance with the aforementioned provisions, including subsidiaries and branches of foreign groups. 6

Particularly liquid and well capitalised banks in categories 4 and 5 pursuant to Articles 47*a*–47*e* of the Capital Adequacy Ordinance of 1 June 2012 (CAO; SR *952.03*),[1] as well as small insurance companies pursuant to Article 1*c* CAO[2] and reinsurers in categories 4 and 5 pursuant to Article 1*d* CAO do not fall within the scope of this circular. The circular serves as a guide for these institutions, as they may also be exposed to nature-related financial risks and are expected to duly take these risks into consideration. 7

Institutions within the scope of application shall implement this circular according to their size, complexity and structure as well as their risk profile and business model. The materiality assessment in accordance with section IV.B. determines the institution's risk profile with regard to nature-related financial risks. 8

[1] I.e. banks participating in the small banks regime.

[2] I.e. insurance companies participating in the small insurers regime.

III. Definition of terms

Nature-related financial risks are defined as the short-, medium- and long-term potential for direct or indirect negative financial effects on the institution resulting from its exposure to climate and other nature risks. Nature-related financial risks include climate-related financial risks and other nature-related financial risks. 9

Nature risks (including *climate risks*) are risk drivers that can be reflected in existing risk types at the institutions through various transmission channels as nature-related financial risks, in particular in credit risks (including counterparty credit risks), market risks, liquidity risks, operational risks, insurance risks, business risks, compliance, legal and reputational risks. Nature risks can be categorised as follows: 10

- *Physical risks* arise from the physical effects of changes in nature and the associated impairment of ecosystem services.[3] Physical risks can be acute, chronic or both. *Acute* physical risks arise from extreme events such as floods, storms, droughts, wildfires, landslides or pandemics. *Chronic* physical risks arise from lasting changes in nature such as rising average temperatures, changing precipitation patterns, rising sea levels, impairment of air, water or soil quality, deforestation, species extinction or the spread of invasive species. 11
- *Transition risks* arise from the transition to a sustainable economy, in particular its decarbonisation, for example due to changes in climate and environmental policy, technological developments, further developments in case law or changes in the behaviour of market participants. 12

A *scenario analysis* in the context of nature-related financial risks is a critical examination of possible future developments of physical risks and transition risks and their impact on the institution. This can be qualitative or quantitative. 13

IV. Common provisions

A. Governance

The institution shall define and document the tasks, competencies and responsibilities for the identification, assessment, management and monitoring of nature-related financial risks, as well as for their internal – and, if applicable, external – reporting. In particular, this shall concern the tasks, competencies and responsibilities of the most senior management body or the board of directors including its committees, the executive board, the independent control bodies or functions, the internal audit function, as well as the other relevant business or organisational units, in accordance with their roles under 14

[3] Ecosystem services are material and non-material services that humans derive directly or indirectly from nature and which sustain and fulfil human life. They form the basis for many economic services, which is why their impairment could have a negative impact on financial market participants. Ecosystem services include physical goods such as raw materials or food as well as regulating (e.g. CO_2 storage) and supporting (e.g. nutrient cycles) services. They also include cultural benefits (e.g. nature as a recreation space).

FINMA Circular 2017/1 “Corporate governance – banks” and 2017/2 “Corporate governance – insurers”.

The bodies, functions and units listed in margin no. 14 shall possess sufficient expertise and experience in relation to nature-related financial risks and how to deal with them to be able to fulfil their defined role. 15

B. Risk identification, materiality assessment and scenario analyses

The institution shall periodically identify the nature-related financial risks that could affect it and assesses their financial materiality for its risk profile. The institution shall also take into account the strategic impact of nature risks as well as potential legal and reputational risks. 16

The design of the risk identification and materiality assessment shall take particular account, where relevant, of: 17

- information from internal and external sources; 18
- indirect effects of nature risks; 19
- exposure to regions, jurisdictions and economic sectors with increased nature risks; 20
- quantitative or qualitative indicators and materiality thresholds for the individual risks. 21

In justified cases, a deviation from margin nos. 18–21 is possible. 22

The materiality assessment shall be based in particular on scenario analyses in order to assess the impact of nature risks on the risk profile under various plausible assumptions. These scenario analyses shall include at least qualitative evaluations of the impact of relevant adverse scenarios on the institution and the possible negative effects on its business model. Various future developments shall be analysed, including events with a low probability and potentially major impact. The scenario analyses shall take into account possible direct and indirect[4] effects of nature risks and consider different relevant time horizons. 23

To improve their scenario analyses, institutions in categories 1 and 2 shall use quantitative methods[5] where possible and appropriate. Category 3 institutions shall also apply quantitative methods – where possible and appropriate – for specific portfolios with increased exposure to nature-related financial risks. 24

The content, procedure and results of the risk identification and materiality assessment in accordance with margin nos. 16–24 shall be documented. In particular, the criteria applied and the assumptions made shall be justified. 25

The documentation must clearly state material nature-related financial risks and categorise them appropriately for risk management purposes, namely according to the risk type concerned in accordance with margin no. 10, whether they arise from physical risks or transition risks, and according to time horizon (short-, medium-, long-term). 26

[4] For example, impact on counterparties, global value chains, contagion and feedback effects.

[5] For example, the calculation of the effects of different scenarios on the institution’s own portfolios that are heavily affected, a loss potential analysis in adverse scenarios across relevant portfolios of the institution, similar quantitative scenario-based approaches.

Justifications must be provided for any missing categorisations or categorisations that deviate due to the specific circumstances of the institution.

The frequency of the risk identification and materiality assessment shall depend on the significance of nature-related financial risks for the institution's risk profile and on new findings and changes at the institution itself or in the institution's environment that may have a material impact on its exposure to nature-related financial risks.[6] The frequency of quantitative scenario analyses may deviate in justified cases. 27

C. Risk management

Institutions shall integrate the management and monitoring of the nature-related financial risks assessed as material and the reporting of these risks appropriately into their institution-wide risk management and internal control system[7] – taking into account the time horizons of the risks. 28

This shall also include the consideration of possible concentration risks caused by nature risks, e.g. through concentrations of business activities or portfolios in certain sectors, industries or regions. 29

Based on its risk tolerance for nature-related financial risks, the institution shall define suitable risk indicators with warning thresholds and limits, where possible and appropriate, in order to monitor its nature-related financial risks that are assessed as material. It shall also include forward-looking risk indicators. The institution shall integrate the monitoring of warning thresholds and limits into its existing internal monitoring and reporting processes. 30

The institution shall periodically assess and determine its methods and information requirements for the management of its material nature-related financial risks and adapt its information sources, methods and processes accordingly. It shall take into account relevant national and international developments. 31

The institution shall regularly assess whether its sustainability-related public statements are in line with its business strategy, its risk tolerance, its risk management and its statutory obligations.[8] 32

D. Stress tests

Category 1 and 2 banks with material nature-related financial risks shall gradually integrate these into their stress tests and their internal assessment of the adequacy of financial resources. 33

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[6] For example, changes to statutory provisions, significant changes in the portfolio structure/size or relevant adjustments to the business model, materialisation of relevant nature risks, new scientific findings.

[7] In addition to the definition of tasks, competencies and responsibilities in accordance with margin no. 14, this shall mean the appropriate implementation of control activities in the business or organisational units concerned, as well as by the independent control bodies in accordance with FINMA Circular 17/1 and control functions in accordance with FINMA Circular 17/2.

[8] For example, transition plans that are consistent with the Swiss climate targets for net-zero emissions by 2050, targets for reducing CO_2 emissions or for directing financial flows towards sustainable activities or an effective climate contribution by the financial centre.

Insurers with material nature-related financial risks shall take these into account as part of the Own Risk and Solvency Assessment (ORSA) (margin no. 62). 34

V. Provisions for banks

A. Credit risk management

Institutions with material nature-related credit or counterparty credit risks shall take these into account over the entire life cycle of a position exposed to such a credit or counterparty credit risk. This shall include conducting due diligence before accepting new clients and the ongoing monitoring of their risk profiles. 35

To control or reduce material nature-related credit or counterparty risks, the institutions shall use instruments that are appropriate to their size, complexity and structure as well as their risk profile and business model. These shall include, where possible and appropriate: 36

- adjustments to the lending criteria (and, if relevant, the collateral accepted); 37
- adjustment of client ratings or transaction ratings; 38
- loan restrictions, restrictions such as shorter repayment terms, lower lending limits or discounted valuations of assets; 39
- targeted client engagement; 40
- thresholds or other appropriate risk mitigation techniques in relation to transactions, counterparties, economic sectors and regions that are not in line with the risk tolerance. 41

B. Market risk management

Institutions with material nature-related market risks shall determine the loss potential and the impact of increased volatility depending on the impact of the nature risks. They shall also introduce effective processes to control or mitigate the associated impacts. 42

Institutions in categories 1–3 shall regularly examine the potential impact of nature risks on the trading book (e.g. as part of their scenario analyses and, if necessary, stress tests). 43

C. Liquidity risk management

Institutions with material nature-related liquidity risks shall assess their impact under normal and stressed conditions in accordance with Articles 9 and 12 of the Liquidity Ordinance of 30 November 2012 (LiqO; SR *952.06*). Significant impacts shall be controlled and mitigated by effective processes. 44

D. Managing operational risks and ensuring operational resilience

Institutions with material nature-related operational risks shall ensure that their management of operational risks in accordance with FINMA Circular 2023/1 “Operational risks and resilience – banks” adequately takes these risks into account. Material nature-related operational risks are to be taken into account in the risk and control assessments for operational risks, as well as in other components of operational risk management, where relevant and logically coherent. 45

If material internal losses result from nature-related operational risks, this must be clearly disclosed in the internal reporting in accordance with margin no. 39 of FINMA Circ. 23/1. 46

Institutions in categories 1–3 that systematically collect and analyse internal loss data and relevant external events relating to operational risks in accordance with margin no. 34 of FINMA Circ. 23/1 shall be in a position to clearly disclose losses and events relating to nature risks in the corresponding reports. 47

Material nature-related operational risks that are relevant to the provision of a critical function of the institution shall be documented accordingly (see margin no. 108 of FINMA Circ. 23/1) and taken into account in ensuring the operational resilience of the institution. They shall also be taken into account when creating or updating corresponding business continuity plans and disaster recovery plans. 48

E. Management of compliance, legal and reputational risks

Institutions with material nature-related compliance, legal or reputational risks shall assess their impact, including the possibility of resulting financial losses. They shall also ensure that the handling of these risks is integrated into the relevant processes and controls. 49

VI. Provisions for insurers

A. Insurance activities

Institutions with material nature-related financial risks in their insurance activities shall integrate these risks into the relevant processes, guidelines and controls, taking into account their time horizons. The following areas in particular must be taken into account: 50

- type and configuration of insurance cover; 51
- pricing, underwriting; 52
- management and monitoring of insurance risks, including risk concentrations, correlations and accumulations; 53
- claims reserving. 54

B. Management of market, credit and liquidity risks

Institutions shall take nature risks into account in the relevant risk management processes, guidelines and controls if these risks could have a direct or indirect material impact on the following areas in particular: 55

- the value of investments (market risk); 56
- the probability and amount of the default of investments and claims involving credit risk; 57
- the amount of liquidity required or liquidity outflows; 58
- the timely availability of the necessary liquid assets for the payment of insurance benefits. 59

C. Management of operational risks as well as compliance, legal and reputational risks

Institutions for which nature risks could have a significant impact on the continuation of business operations, in particular on people, processes, company premises, IT systems and other business equipment as well as on the procurement of outsourced services, shall integrate these risks into their operational risk management. 60

In addition, institutions shall integrate material nature-related compliance, legal and reputational risks into the relevant processes, guidelines and controls. They shall have measures in place to ensure compliance with mandatory provisions and voluntary commitments. 61

D. Own Risk and Solvency Assessment

Institutions with material nature-related financial risks shall take these into account as part of the ORSA with regard to their impact on the overall risk profile, the total capital requirements, the scenarios and the need for risk-mitigating measures. 62

E. Responsible actuary

The institution’s responsible actuary shall take material nature-related financial risks into account in the performance of his or her tasks as defined by supervisory law and report on this in his or her report to the executive board. 63

VII. Transitional provisions

Category 1 and 2 institutions shall implement the circular with regard to climate-related financial risks from 1 January 2026 at the latest. 64

Category 3, 4 and 5 institutions shall implement the circular with regard to climate-related financial risks from 1 January 2027 at the latest. 65

All institutions shall implement the circular in full by 1 January 2028. 66