CLIMATE-RELATED FINANCIAL RISK SUPERVISION STRATEGY



Financial Surveillance Division
Central Bank of Seychelles

Document Type	Strategy
Owner / Division	Financial Surveillance Division
Classification	Public
Effective Date	March 20, 2026
Version	1.0
Approver	CBS Board of Directors

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1.0 Introduction

This document articulates the Central Bank of Seychelles (CBS') Climate-related Financial Risk Supervision Strategy (hereafter referred to as the Strategy) aimed at ensuring a holistic supervisory review of climate-related financial risks within the banking sector[1]. The Strategy will form part of the broader Roadmap on Sustainable Finance for Seychelles which is anticipated to be published by 2027/8. The Strategy outlines the objectives, activities, expected outcomes and action plan as regards climate-related financial risks.

The CBS' mandate, as per section 4(2) of the CBS Act 2004 (as amended), is to promote financial stability and soundness of the financial system of Seychelles. This is further underpinned by the CBS' function by virtue of section 4A(c) whereby it shall have macro-prudential oversight over Seychelles' financial system and co-ordinate activities involved in the safeguarding of financial stability in order to maintain and enhance a stable financial system. Accordingly, the CBS' financial stability mandate implicitly grants it with the powers to address risks from climate change within the banking sector. Therefore, the CBS finds it necessary to develop and implement appropriate prudential policy instruments to address threats from climate-related physical and transition risks to financial stability.

2.0 Objective

The CBS' vision is to contribute towards inclusive growth and development of Seychelles. As such, the CBS sees addressing climate change as a strategic objective, and for the banking sector to be resilient to the risks posed as well as having an important role to serve the needs of consumers and the wider economy in the transition to a low carbon economy. Correspondingly, the objectives of the Strategy are to:

1. ensure a more holistic supervisory view of climate-related financial risks within the banking sector;
2. integrate climate-related financial risks into the CBS' supervisory processes as part of its prudential risk-based supervision (RBS) framework;
3. align the CBS' supervisory practices with the expectations of international standard setting bodies such as the Basel Committee on Banking Supervision (BCBS);
4. develop capacity and technical capabilities on climate-related financial risks.

[1] Banking sector within the context of this document refers to the commercial banks, credit unions and non-bank credit granting institutions.

3.0 Activities

The proposed activities will focus on the regulation and supervision of climate-related financial risks, and will include:

1. determination of transmission channels of climate-related financial risks in the banking sector;
2. development and dissemination of supervisory expectations – in the form of circulars, guidelines and regulations – on risk management and disclosures in line with international standards and best practices, as appropriate for the banking sector in Seychelles and the environment in which it operates;
3. establishment of an internal working group, and allocation of adequate resources to address climate-related financial risks;
4. development of supervisory techniques and tools for assessing the banking sector's governance, risk management arrangements, policies and processes for identification, measuring/assessing, monitoring and managing climate-related financial risks, and related disclosures;
5. undertaking assessments of the banking sector's governance, risk management and disclosures, as relevant for climate-related financial risks;
6. identification of the banking sector's exposures that are vulnerable to climate-related financial risks and, subject to availability of good quality data, undertaking assessment of potential losses should these risks materialise;
7. co-ordination and collaboration, as necessary, with other financial sector regulators and stakeholders on climate-related financial risks.

To achieve the aforementioned objectives, the CBS has devised an action plan as noted in section 5.0.

4.0 Expected Outcomes

The CBS' supervisory approach to climate-related financial risks is informed by international standards, best practices and developments within the local economy. The proposed supervisory process is dynamic, aligned with the CBS' prudential RBS framework, and dependent on how climate-related financial risks standards and best practices evolve. Therefore, the CBS' supervisory approach will be updated, as and when required, as the area of climate-related financial risks evolve and mature.

Broadly, the Strategy will assist the CBS to:

1. promote trust and confidence in the banking sector;
2. promote orderly functioning of the banking sector based on transparency and accountability;
3. encourage the banking sector to have sustainable business models, sufficient financial resources (including through times of stress), to be well governed (with appropriate cultures and risk management), and to recover if a regulated institution gets into difficulty (or are resolvable if they fail).

In line with the aforementioned, the CBS shall monitor and assess compliance with climate-related statutory and regulatory requirements, when implemented.

5.0 Action Plan

To operationalise the Strategy, the CBS has outlined a phased and structured action plan, as follows:

	Planned Action	Timeline[2]
1.0	**Guidelines on the Effective Risk Management of Climate-related Financial Risks**	
	Draft Guidelines issued for consultation	Completed
	Guidelines issued for implementation	Completed
2.0	**Guidelines on Climate-related Financial Risks Disclosure**	
	Draft Guidelines issued for consultation	Completed
	Guidelines issued for implementation	Completed
3.0	**Roadmap on Sustainable Finance for Seychelles**	
	Draft Concept Note on CBS' Climate-related Financial Risk Supervision Strategy issued for consultation	Completed
	Conduct a diagnostic study on climate-related financial risks for the banking sector and publish the results	Q2 2026
	Publish Climate-related Financial Risk Supervision Strategy for implementation	Completed
	Roadmap on Sustainable Finance for Seychelles to be issued	2027/8
4.0	**Capacity Building**	
	Establish CBS internal working group	Q2 2026

[2] To note that the timeline may be subject to change – in some instance, relevant actions may be implemented prior to the stated deadline or later.

	Capacity building of the CBS and banking sector staff on climate change and sustainable finance	Ongoing
	Leverage on networks (central banks and international organisations such as the Alliance for Financial Inclusion) for peer exchanges	Ongoing
5.0	**Development of tools to enhance supervisory activities**	
	Conduct and complete a data gap analysis for the supervision and disclosure of the banking sector's exposure to climate-related financial risks	Completed
	Publish a strategy for bridging data gaps	April 2026
	Establish regulatory reporting templates for the monitoring of climate-related financial risk exposures, including accompanying Guidelines	Completed
	Continuous enhancement of the supervisory tools in line with international standards and best practices	Ongoing
6.0	**Monitoring and Supervision**	
	Incorporate climate-related financial risks into the CBS' supervisory approaches in line with international standards and best practices	Ongoing
	Ensure adequate management of climate-related financial risks through offsite and onsite reviews of the banking sector's internal processes, and where necessary, formulate supervisory recommendations to address identified gaps	Ongoing
	Publicise summary report on climate-related financial risk exposures	May 2026
7.0	**Climate Risk Analysis**	
	Adopt and implement a banking sector climate risk analysis framework and publish a summary of the framework	Completed
	Publish a climate risk exposure assessment of the banking sector based on the climate risk analysis framework	April 2026
8.0	**Regulatory Framework**	
	Draft Sustainable Finance Regulations to be issued for consultation	2028
	Issue Sustainable Finance Regulations for implementation	2029

6.0 Conclusion

The Strategy represents a proactive and forward-looking approach to safeguarding financial stability in the face of growing climate-related financial risks. By embedding climate considerations into its prudential and supervisory frameworks, the CBS is aligning with international standards while responding to the specific vulnerabilities and realities of the local banking sector.

The Strategy outlines clear objectives, targeted activities, expected outcomes, and a comprehensive action plan that will guide its implementation over the short to medium term. Through this, the CBS aims to enhance the resilience of the banking sector to both physical

and transition risks associated with climate change, promote sustainable finance practices, and ensure that the banking sector is well positioned to support the country's transition to a low-carbon economy.

Ultimately, the Strategy reinforces the CBS' commitment to its mandate of promoting financial stability, transparency and resilience, while contributing meaningfully to the national and global climate change agenda.