The Fed - Climate Change and Double Materiality in a Micro- and Macroprudential Context

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This paper presents a stylized framework of bank risk‐taking to help clarify the concept of “double materiality,” the idea that supervisory authorities should consider both the risks that banks face from climate change and the impact of a bank’s actions on climate change. The paper shows that the concept of double materiality can be coherently embedded in a microprudential framework, but the practical implications could be quite similar to the implications of a single materiality perspective. The importance of a double materiality perspective becomes larger when one considers macroprudential objectives driven by financial sector externalities. The framework illustrates the critical importance of being clear on the supervisory mandate and objectives when assessing policy alternatives.

**Url:**<https://www.federalreserve.gov/econres/feds/climate-change-and-double-materiality-in-a-micro-and-macroprudential-context.htm>