



TAIEX TSI MNB-OECD-EC Launch Event: Technical implementation of the Supervisory Framework for Assessing Nature-related Financial Risks to the Hungarian financial sector

Organised in co-operation with the

*Directorate General for Structural Reform Support
DG REFORM, European Commission*

Beneficiary: Central Bank of Hungary



7th June 2024

9:00 – 14:00 CET

Venue: Hungary, 1122 Budapest,
Krisztina boulevard 6.

| Conference Room on the 3rd floor

Beneficiary: Central Bank of Hungary

Aim of the Launch Event

The **TSI (Technical Support Instrument)** is operated by the European Commission's Directorate General for Structural Reform Support (DG REFORM). **TAIEX TSI** events are organised by DG NEAR in agreement with DG REFORM for the benefit of Member States that are receiving technical support through the **TSI**.

Biodiversity and ecosystem services underpin all economic activities and human well-being. Yet biodiversity is being destroyed at an unprecedented rate, posing significant **risks to the economy and financial sector**. Nature-related financial risks are pervasive but poorly understood, and they remain largely invisible and mispriced. These include the dependency of portfolios' profitability on biodiversity as well as the adverse impacts of financial decisions on biodiversity. Recognising this need, **in September 2022** the European Commission launched, together with the Organisation for Economic Co-operation and Development (OECD), and at the initiative of the central bank of Hungary, Magyar Nemzeti Bank (MNB), a project on **"Developing a Supervisory Framework for Financial Risks Stemming from Biodiversity-related Losses"**. This project is financed by the European Union through the Technical Support Instrument (TSI) and implemented by the OECD, in cooperation with the European Commission's Directorate-General for Structural Reform Support (DG REFORM). The Project aims to develop a supervisory framework to help MNB and other central banks assess biodiversity-related financial risks in the financial system, including **transmission channels for physical and transition risks**. The Project also aims to help MNB and banks with retail activities in Hungary become more informed about their exposures, impacts and dependencies to biodiversity-related financial risks, and to improve the management of such risks. The Project has been undertaken in two phases:

- **Phase 1** resulted in the launch in **October 2023** of a **Supervisory Framework for Assessing Nature-related Financial Risks**, drawing on a **mapping of existing tools**, practices, definitions, transmission channels, metrics and indicators. This Supervisory Framework is relevant across country contexts for central banks, supervisors and retail banks, while recognising that domestic circumstances and mandates differ.
- **Phase 2** has implemented the **Supervisory Framework to the Hungarian financial system** and one selected retail bank.

The event on 7 June 2024 is open to **MNB staff, banks with retail activities in Hungary, other financial actors in Hungary**, and to a **broader set of central banks and financial supervisors especially in Central and Eastern Europe**. It aims to support the Hungarian financial sector as well as broader **EU central banks and financial supervisors**, especially in Central and Eastern Europe, by sharing key findings and lessons on the implementation of the Supervisory Framework to the Hungarian financial sector. The event will present the final results (under embargo) of a technical analysis of the nature-related financial risks in the context of the Hungarian financial system, based on the **Supervisory Framework for Assessing Nature-related Financial Risks**. Furthermore, different regional central banks will present their experiences with similar biodiversity projects.

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■ About the OECD

The Organisation for Economic Co-operation and Development (OECD) is an international organisation that works to build better policies for better lives. The goal of the OECD is to shape policies that foster prosperity, equality, opportunity, and well-being for all. We draw on 60 years of experience and insights to better prepare the world of tomorrow. Together with governments, policy makers and citizens, the OECD works on establishing evidence-based international standards and finding solutions to a range of social, economic, and environmental challenges. From improving economic performance and creating jobs to fostering strong education and fighting international tax evasion, the OECD provides a unique forum and knowledge hub for data and analysis, exchange of experiences, best-practice sharing, and advice on public policies and international standard-setting.

■ About the Directorate-General for Structural Reform Support of the European Commission

The Directorate-General for Structural Reform Support (DG REFORM) helps EU countries to design and implement reforms as part of their efforts to support job creation and sustainable growth. DG REFORM coordinates and provides tailor-made technical support to EU Member States, in cooperation with the relevant Commission services. The support is primarily provided through the Technical Support Instrument (TSI). The goal is to support Member States' efforts to design and implement resilience-enhancing reforms, thereby contributing to the EU's recovery from the COVID-19 crisis, improving the quality of public services and getting back on the path of sustainable and inclusive growth.

■ About the Central Bank of Hungary (Magyar Nemzeti Bank (MNB))

Magyar Nemzeti Bank, the central bank of Hungary, was founded in 1924. As one of the world's leading green central banks, MNB is at the forefront of promoting environmental sustainability: In 2019, MNB launched its Green Programme, taking different green measures to support the economy's green transition and the financial system's sustainability. Among others, these measures include introducing a green monetary policy toolkit, launching MNB's Green Home Programme for purchasing/building energy-efficient residential buildings, capital requirement discounts for green loans (e.g. renewable energy exposures, energy-efficient buildings) and performing stress tests to identify and measure environmental risks. MNB's primary objective is to achieve and maintain price stability; however, it also has another objective. To strengthen its commitment, in May 2021, MNB was one of the first central banks in Europe to receive a green mandate from the government. Since then, MNB – without compromising its primary objective – has been focusing increasingly on the environmental and sustainability aspects of its strategies and activities.

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Agenda

Friday, 7 June 2024

Chair: Ms. Ildikó Nádra, Supervisory Deputy-Spokesperson, Magyar Nemzeti Bank (MNB)

Venue: Hungary, 1122 Budapest, Krisztina boulevard 6. | Conference Room on the 3rd floor

Local time

08:00 -
08:30

Connections of participants, technical verifications & Arrival of participants

08:30 –
09:00

Registration & welcome coffee

9:00 –
09:30

Opening Session and welcome remarks:

- Mr. Csaba Kandrács, Deputy Governor, Magyar Nemzeti Bank (MNB) (confirmed)
- Ms. Judit Rozsa, Director in the Directorate-General for Structural Reform (DG REFORM), European Commission (confirmed)
- Ms. Mathilde Mesnard, Deputy Director, Environment Directorate, OECD (confirmed)

Session I.: Overview of the Project and biodiversity context in Hungary

09:30 –
10:00

Topic: This session will include: (i) perspectives on biodiversity-related issues in Hungary; (ii) a brief overview of the Project on “[Developing a Supervisory Framework for Financial Risks Stemming from Biodiversity-related Losses](#)”, launched in Budapest in 2022 at MNB’s initiative and implemented by the OECD, in co-operation with the European Commission's DG REFORM, with funding from the European Union; and (ii) an overview of the [Supervisory Framework for Assessing Nature-related Financial Risks](#) launched in 2023.

Speakers:

- Ms. **Kasia Kornosz-Koronowska**, Policy Officer, DG REFORM, European Commission (confirmed)
- Ms. **Fatos Koc**, Head of Unit, Financial Markets, Financial and Enterprise Affairs Directorate, OECD (confirmed)
- Ms. **Geraldine Ang**, Team Lead, Financial Systems for Biodiversity, Environment Directorate, OECD (confirmed)
- Dr. **Gábor Magyar**, Head of department for Nature Conservation, Ministry of Agriculture (confirmed)

Session II.: Results from implementing the four-step Framework to the Hungarian financial system

Step 1: Risk identification and prioritization

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10:00-10:20	<p>Topic: This session will include a 10-min presentation on the results of the impacts and dependencies analysis of the Hungarian financial system’s loan book to nonfinancial corporates. Additionally, the session will cover how different economic sectors and ecosystems were prioritised to focus on risks in the Hungarian context.</p> <p><i>Speaker:</i></p> <ul style="list-style-type: none"> • <i>Mr. Gürcan Zeren Gülersoy, Policy Analyst, Directorate for Financial and Enterprise Affairs, OECD (confirmed)</i> <p><i>The presentation will be followed by a Q&A session.</i></p>
Step 2: Economic risk assessment	
10:20-10:55	<p>Topic: This session will include a 20-minute presentation on the physical and transition risks related to ecosystems within Hungary, as well as the economic risk assessment of the scenario analysis. The session will detail the scenarios chosen to assess nature-related financial risks and the economic impacts on sectoral output and relative price changes.</p> <p><i>Speakers:</i></p> <ul style="list-style-type: none"> • <i>Mr. Hugh Miller, Analyst, Environment Directorate, OECD (confirmed)</i> • <i>Mr. Gabriel Santos Carneiro, Consultant (confirmed)</i> <p><i>The presentation will be followed by a Q&A session.</i></p>
Steps 3 and 4: Financial risk assessment and Supervisory considerations	
10:55-11:15	<p>Topic: This session will include a 10-minute presentation on the financial risk assessment and supervisory considerations in the report. The session will include an overview of the impact to the overall non-financial corporate loan portfolio of the Hungarian banking system and analysis on the broader financial system impacts. The supervisory considerations offer guidance about short, medium, and long term measures the MNB may consider in relation to nature-related financial risks.</p> <p><i>Speakers:</i></p> <ul style="list-style-type: none"> • <i>Mr. Riccardo Boffo, Policy Analyst, Directorate for Financial and Enterprise Affairs, OECD (confirmed)</i> <p><i>The presentation will be followed by a Q&A session.</i></p>
11.15 – 11:45	Coffee break

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Session III: Regional and international perspectives

Topic: The session will include an overview of the different regional and international efforts to assess biodiversity and broader nature-related financial risks, particularly in the Central and Eastern European context. It will also include a brief presentation to reflect on applicability of the Framework to other country contexts given data and methodological challenges.

Speakers:

- *Ms. Elene Nikuradze, Sustainable Finance Sector Specialist, Georgian Central Bank (confirmed)*
- *Ms. Nora Laurinaityte, Green Finance Expert, INVEGA, Ex-Lithuanian Central Bank (confirmed)*
- *Ms. Marie Gabet, Sustainable Finance Specialist & NGFS Secretariat Representative, Banque de France, (confirmed)*

11:45 –
12:45

Moderator and brief perspective on applicability and lessons learned:

- *Ms. Geraldine Ang, Team Lead, Financial Systems for Biodiversity, Environment Directorate, OECD (confirmed)*

15-minute presentation followed by 15-minute Q&A and discussion

Closing remarks

Topic: Brief closing remarks

Speakers:

- *Mr. Norbert Holczinger, Main Head of the Sustainable Finance Department, Magyar Nemzeti Bank (MNB) (confirmed)*

12:45 –
12:55

Luncheon

Lunch & Networking

12.55 –
14:00

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