ICBA
One Mission. Community Banks.

April 2024

ICBA Regulatory Update: Climate Risk Regulation

Topic/Issue: Climate Risk Regulation

Agencies: OCC, FDIC, FRB, SEC, NYDFS

Status: In 2023, the OCC, FDIC, and Federal Reserve Board of Governors published interagency principles for climate-related financial risk management for large banks with $100B or more in assets. Because the principles were published as guidance, not as a final rule, the principles do not have the force and effect of law or establish any specific requirements for financial institutions.

ICBA is closely monitoring similar proposed frameworks at the state level. Last year, the New York Department of Financial Services published state specific draft guidance for all New York state regulated banking and mortgage institutions related to management of material financial risks from climate change. Unlike the federal banking agency proposals or interagency guidance, however, the NYDFS draft guidance contains no exemption for community banks from climate risk management principles.

In March 2024, the SEC adopted a final rule that requires public companies to disclose climate-related risks that have had or are reasonably likely to have a material impact on the registrant's business strategy, results of operations, or financial condition. Under the final rule, large accelerated filers and accelerated filers that are not otherwise exempted, must also disclose information about material Scope 1 and Scope 2 greenhouse gas emissions. Amid legal challenges to the final rule, which are pending review in the U.S. Court of Appeals for the Eight Circuit, the SEC agreed to stay implementation of the final rule to avoid regulatory uncertainty for companies while the litigation proceeds.

ICBA Position:
Community banks should not be subject to any mandatory climate-risk management, climate scenario analysis, or climate disclosure frameworks. Community banks have decades of experience managing climate risks and should not have to bear the costs and regulatory burdens of implementing separate, duplicative, and complicated climate risk management and disclosure frameworks. Further, community banks should never be required to collect climate data from their customers as a condition of banking.

Key Talking Points:

- Regulators should not apply any climate risk management or climate disclosure frameworks to community banks with fewer than $100 billion in assets.

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- The regulators should not force community banks to choke off legal but climate disfavored industries from the financial system.

- Further research is needed to understand whether there is empirical data to support the conclusion that climate risks are a significant threat to the safety and soundness of community banks or the financial system.