

June 3, 2022

Submitted Electronically

James P. Sheesley
Assistant Executive Secretary
Attention: Comments—RIN 3064–ZA32
Federal Deposit Insurance Corporation,
550 17th Street NW,
Washington, DC 20429

Re: Statement of Principles for Climate-Related Financial Risk Management for Large Financial Institutions; RIN 3064–ZA32

Dear Ladies and Gentlemen,

The Wisconsin Bankers Association (WBA) is the largest financial trade association in Wisconsin, representing nearly 200 state and nationally chartered banks, savings and loan associations, and savings banks. WBA appreciates the opportunity to comment on the Federal Deposit Insurance Corporation's (FDIC's) notice of proposed policy statement of principles for climate-related financial risk management for large financial institutions.

FDIC requested comment on draft principles proposed with the objective of providing a high-level framework for safe and sound management of exposures to climate-related financial risks. The draft principles are targeted for the largest financial institutions, being those with over \$100 billion in total consolidated assets. Within its proposal, FDIC has suggested that the principles are intended to support efforts by large financial institutions to focus on key aspects of climate-related financial risk management.

Financial risks, physical risks, and transition risks already exist within the banking system and Wisconsin banks already adequately manage these risks using long-standing and time-tested credit-based risk management practices, as appropriate. These existing principles have already withstood decades of natural disasters, pandemics, and climate-related events. The addition of regulator-imposed agenda-based principles worsens these risks by disrupting already established frameworks.

Although FDIC's statement of principles for climate-related financial risk management only applies to large financial institutions, WBA remains concerned that smaller-sized banks and their local communities will be negatively impacted. WBA is concerned that the proposed principles will create pressures which in turn require large financial institutions to "de-risk" their loan portfolios and as a result avoid lawful but climate disfavored customers or industries, excluding them from the financial system. WBA believes these effects will trickle down to community banks.

WBA is further concerned that FDIC's principles, although designed for the largest banks, would affect community banks through the resulting impacts upon the financial sector, be indirectly expected as best practices, or even be applied directly through future rulemaking. This is



concerning as the steep expense, complex models, governance requirements, and specialized expertise that would be necessary for community banks would be cost and resource prohibitive.

Given current tendencies in the climate-risk area, WBA also requests that FDIC ensure that any finalized principles on data, risk measurement, and reporting do not require, or otherwise imply any requirement for community banks to gather climate data directly from their customers, vendors, and other third parties. Consumers and small businesses (many of which do not have, and are unable to collect, sophisticated climate data) should never be compelled to produce climate data as a condition for obtaining basic banking services.

WBA recommends that FDIC focus on empirical information such as through studies and currently existing banking data in developing guidance. Specifically, WBA encourages FDIC to utilize this information to examine current risk management frameworks, and first determine what, if any, gaps exist specific to climate-related financial risk rather than building new frameworks from the ground up. From there, FDIC can better consider the degree to which climate-related financial risk may or may not actually threaten the safety and soundness of the financial system, and what, if any, guidance principles might be most effective.

Furthermore, WBA urges FDIC to take all reasonable and appropriate measures to ensure any principles for climate-related financial risk management, if finalized, do not facilitate the exclusion of lawful but climate-disfavored industries from the banking system. FDIC must ensure it has adequately, and empirically examined the impact of finalizing these draft principles.

Conclusion

WBA appreciates the opportunity to comment on FDIC's statement of principles for climate-related financial risk management for large financial institutions. WBA emphasizes that strong credit-based risk management frameworks are currently in place by Wisconsin banks, and strenuously cautions against finalization of any regulator-imposed agenda-based principles which would potentially disrupt this robust, existing risk management. If finalized, any principles must not, directly or indirectly, affect community banks, and must not result in excluding lawful but climate disfavored customers or industries from the financial system.

We appreciate your consideration of these comments.

Thank you,

A handwritten signature in black ink, reading "Rose Oswald Poels", enclosed in a thin black rectangular border.

Rose Oswald Poels
President/CEO