Independent Bankers Association of Texas

June 1, 2022

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

Via Email: comments@fdic.gov

Re: RIN 3064-ZA32

Ladies and Gentlemen:

The following comments are submitted on behalf of the Independent Bankers Association of Texas ("IBAT"), a trade association representing over 300 independent community banks domiciled in Texas.

The Federal Deposit Insurance Corporation (FDIC) is requesting comment on draft principles that would provide a high-level framework for the safe and sound management of exposures to climate-related financial risks.

A. Applicability

While the draft principles are intended to support efforts by large financial institutions regarding climate-related financial risk management, IBAT shares the concern that these proposals may very well 'trickle down' to community banks.

The FDIC needs to make it clear in any final statement that it does not impose on Texas community banks any specific regulatory requirement regarding measuring, monitoring and controlling risks associated with climate change.

B. Tailoring

While the FDIC proposal would not <u>explicitly</u> create expectations for how banks (of all sizes) manage climate-related financial risk as it relates to the general economy, it does so <u>implicitly</u> by stating that "the manner in which financial institutions manage climate-related financial risks to address safety and soundness concerns should also seek to reduce or mitigate the impact that management of these risks may have on broader aspects of the economy."

We encourage the FDIC to clarify in any final statement what exactly “broad aspects of the economy” means and how that may impact how banks (of all sizes) are expected to mitigate risks on “broader aspects of the economy.” Are community banks going to face an expectation that they manage the type of legitimate industries they can provide products and services to at the expense of the communities they serve?

C. General

The primary problem community banks would have, should these expectations ‘trickle down,’ is the lack of clear guidance from the agencies that take into consideration the limited expertise available in smaller communities. This could certainly lead to banks being required to have a ‘Climate Officer.’

D. Current Risk Management Practices

Community banks already use a number of factors to identify potential climate risk already incorporated into various agency guidance on credit risk, the primary risk for community banks in this arena.

E. Data, Disclosures, and Reporting

The request seems to imply that banks will be expected to request “climate-related data, metrics, tools and models <u>from</u> <u>borrowers</u> <u>and</u> <u>other</u> <u>counterparties</u>” to identify, measure, monitor and control their own climate-related financial risks.

Ambiguity about adding to the regulatory burden community banks face beyond the risk management framework already existing in current FDIC rules and guidance will only accelerate the consolidation of the community banking industry, to the detriment of consumers and communities.

F. Scenario Analysis

Community banks simply do not have the manpower nor expertise to develop or implement “climate scenario models, analysis or tools.” The FDIC should make it clear that community banks will not now - or in the future – be expected to develop expensive scenarios beyond CECL and existing risk management techniques.

Texas community bankers are well aware of climate risk and the impact it has on the general economy and the communities they serve. Before adoption of any final statement, the FDIC should carefully consider the impact it would have on community banks across the country and clarify the explicit expectations on those banks.

Sincerely,

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Christopher L. Williston, CAE
President and CEO