UTAH BANKERS
ASSOCIATION

175 SOUTH MAIN STREET, SUITE 1420 • SALT LAKE CITY, UTAH 84111 • T 801.364.4303 • F 801.364.4495 • www.utah.bank

June 3, 2022

Mr. James Sheesley
Assistant Executive Secretary
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 Mr. Sheesley,

The Utah Bankers Association writes to urge the FDIC to take all reasonable and appropriate measures to ensure any principles for climate-related financial risk management for large banks, if finalized, do not facilitate the choking off of lawful but climate-disfavored industries from the banking system. Banks should have the ability to lend to any consumer or corporate citizen who is creditworthy and engaged in lawful activity, without fear of political or regulatory retribution. Accordingly, we would oppose the FDIC or any financial regulator using the banking system to advance a climate agenda by pressuring banks to choke-off select customer or industry access to credit without the necessary statutory predicate established by those duly elected to establish such a significant policy.

We would take this opportunity to reinforce our longstanding view that bank supervision, and other purportedly neutral government requirements like disclosures, must not become a means of distorting the allocation of capital or indirectly implementing unrelated policy preferences. As Environmental, Social and Governance (ESG) guidance and regulatory proposals proliferate, they are often cast as flexible, non-binding, or targeted to certain segments of the market, while allowing for long transitions. In reality, the individual and cumulative effects of these agency actions have the potential to be acute, widespread, and anything but neutral. There is growing concern from our member banks about the impact those efforts may have on their continued ability to provide critical financial services to the customers and the communities they currently serve.

Our basic principle is simple: Banks should be free to lend to, invest in, and generally do business with any entity or activity that is legal, without government interference. Banks should also be free not to lend, invest, or otherwise engage so long as they do not violate fair lending or other anti-discrimination laws. This free-market approach has given this nation the strongest and most resilient financial system in the world, and the increasing efforts by policymakers from all sides of the political spectrum to intervene in the intermediation of capital risks undermining that system.

The banking industry plays a key role in providing credit and other necessary financial services to individuals, companies, and communities, and they do that by taking and carefully managing risk. Regulators should make every effort to ensure banks can serve their communities and to recognize the unique challenges facing smaller banks, particularly those where the local economy relies on industries and related suppliers that have become subject to polarized views or are otherwise undergoing transition, such as the energy sector. It is essential to understand that regulatory initiatives and disclosure requirements directed at any segment of financial institutions has implications for all others, including community banks, their counterparties, and the communities they serve. Banks must be able to make legal business decisions that are appropriate for their customers and communities as market and consumer preferences evolve.

We urge policy makers at all levels of government to be guided by the following key principles:

- To ensure that communities have the financing needed to remain vibrant, and transition where needed in an orderly fashion, banks must be free to lend to, invest in, and generally do business with any entity or activity that is legal.

- Environmental, social and governance risk should not be considered a separate category of risk, as it is already embedded in the risks banks currently assess, monitor, and mitigate.

- Disclosure requirements should not be decoupled from longstanding concepts of materiality or imposed on banks unnecessarily. Disclosures are costly, especially for community banks and they must remain focused on what is necessary to inform business and risk management decisions, not used to allocate capital or otherwise effectuate broader policy goals.

- Regulatory efforts to ensure safety and soundness must be appropriately applied and not used intentionally or unintentionally to reallocate credit or carry out extra prudential goals.

- Regulators should work together closely to ensure that they do not exceed their mandate and stray into capital allocation; use consistent definitions; and avoid unintended consequences.

Thank you for considering our views. We stand ready to work with you on these issues of vital importance to our economy.

[redacted]

Howard M. Headlee
President & CEO